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NOVA

J. E. (Ted) Newall
Vice Chairman and
Chief Executive Officer

NOVA Corporation
P.O. Box 2535, Station M
Calgary, Alberta
Canada T2P 2N6
Offices: 801 Seventh Avenue S.W.
(403) 290-6000
FAX (403) 290-6379
Telex 038-21503

March 27, 1995

Dear Shareholder:

We are pleased to invite you to attend the annual and special meeting of the shareholders of NOVA Corporation to be held at The Calgary Convention Centre, Calgary, Alberta on May 5, 1995 commencing at 10:30 a.m. (Calgary time).

The items of business to be acted on by our shareholders are set forth in the enclosed notice of annual and special meeting and management information circular. Your shares should be represented whether or not you are able to attend. Your vote is important. If you do not plan to be present, I would appreciate your taking the time now to sign, date and return the enclosed proxy form in the enclosed postage prepaid envelope, so that your shares can be voted at the meeting in accordance with your instructions.

Proxies will be counted and tabulated by The R-M Trust Company, the transfer agent of NOVA, in such a manner as to preserve the confidentiality of individual shareholder votes, except (a) where the shareholder has made a written comment on the proxy form which is clearly intended for management, (b) as necessary to meet legal requirements, or (c) in the event of a proxy contest.

Sincerely,

J. E. (Ted) Newall, O.C.
Vice Chairman and Chief Executive Officer

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NOVA

NOVA Corporation

NOTICE OF ANNUAL AND SPECIAL MEETING

NOTICE is hereby given that an annual and special meeting (the "Meeting") of the holders of common shares (the "Common Shares") of NOVA Corporation ("NOVA") will be held at The Calgary Convention Centre, 120 Ninth Avenue S.E., Calgary, Alberta on Friday, May 5, 1995 at 10:30 a.m. (Calgary time) for the following purposes, each of which is described in more detail in the accompanying Management Information Circular (the "Information Circular") which is incorporated by reference herein, namely:

1. to receive the consolidated financial statements of NOVA for the year ended December 31, 1994 and the reports of the management of NOVA and of the auditors;
2. to elect directors;
3. to appoint Ernst & Young as the auditors of NOVA and to authorize the directors to fix their remuneration;
4. to consider and, if deemed advisable, to pass, with or without variation, an ordinary resolution approving a share compensation arrangement with J. E. Newall which involves the potential issuance of Common Shares;
5. to consider and, if deemed advisable, to pass, with or without variation, a resolution approving amendments to the NOVA Employee Incentive Stock Option Plan (1982) (the "Option Plan") to (i) provide for immediate vesting of options in the case of death of an employee, (ii) extend the period of time for exercise of options in the case of retirement of an employee, (iii) delete the current distinction between employees who are on permanent disability and other employees in terms of their ability to continue to exercise stock options and (iv) clarify that the Human Resources Committee's discretion to waive early termination of options on termination of employment applies to both insiders and non-insiders;
6. to consider and, if deemed advisable, to pass, with or without variation, a special resolution approving amendments to NOVA's Restated Articles of Incorporation to reduce the minimum number of directors from 15 to 12 directors; and
7. to consider such other matters as may properly come before the Meeting or any adjournment thereof.

The record date for the determination of holders of Common Shares entitled to receive notice of, and to attend and vote at, the Meeting will be the close of business on March 22, 1995. Any transferee or person acquiring Common Shares after such date may, on proof of ownership of Common Shares, demand not later than 10 days before the Meeting that his or her name be included on the list of persons entitled to attend and vote at the Meeting.

By Order of the Board of Directors

(Signed) RHONDDA E. S. GRANT
Corporate Secretary

Calgary, Alberta
March 27, 1995

TO: Holders of Common Shares

If you are unable to attend the Meeting in person, please complete and sign the enclosed form of proxy and forward it in the enclosed postage prepaid self-addressed envelope to The R-M Trust Company, 600 The Dome Tower, 333 Seventh Avenue S.W., Calgary, Alberta T2P 2Z1, to reach the addressee no later than 5:00 p.m. (Calgary time) on Thursday, May 4, 1995.

NOVA

NOVA Corporation

MANAGEMENT INFORMATION CIRCULAR

GENERAL

This Management Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the Board of Directors and the management of NOVA Corporation ("NOVA") for use at the annual and special meeting (the "Meeting") of the holders of NOVA common shares (the "Common Shares") to be held on May 5, 1995 at 10:30 a.m., Calgary time, at The Calgary Convention Centre, 120 Ninth Avenue S.E., Calgary, Alberta and at any adjournment thereof. Enclosed is a form of proxy for use at the Meeting. A copy of the Annual Report, which includes the consolidated financial statements of NOVA for the fiscal year ended December 31, 1994 to be presented to the Meeting is also enclosed. **A copy of this Information Circular, NOVA's Annual Information Form dated March 3, 1995 for the fiscal year ended December 31, 1994, as filed with Canadian provincial securities commissions and, under cover of an Annual Report on Form 40-F, with the United States Securities and Exchange Commission, and any interim financial statements of NOVA subsequent to the financial statements for the year ended December 31, 1994 may be obtained by any person without charge by writing to NOVA to the attention of its Corporate Secretary, P.O. Box 2535, Postal Station M, Calgary, Alberta T2P 2N6.**

Pursuant to the General By-law of NOVA, proxies must be received by The R-M Trust Company no later than 5:00 p.m., Calgary time, on Thursday, May 4, 1995. Proxies may be delivered using the enclosed postage prepaid self-addressed envelope, or by otherwise delivering them c/o The R-M Trust Company, 600 The Dome Tower, 333 Seventh Avenue S.W., Calgary, Alberta T2P 2Z1.

It is anticipated that this Information Circular and the accompanying form of proxy will be first mailed to shareholders on or about March 27, 1995. Unless otherwise stated, information contained in this Information Circular is given as at March 3, 1995. The principal executive and registered office of NOVA is located at 801 Seventh Avenue S.W., Calgary, Alberta T2P 2N6, and its telephone number is (403) 290-6000.

REVOCABILITY OF PROXY

A proxy may be revoked by the person giving it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked in writing by the holder of Common Shares or the holder's attorney authorized in writing and deposited either at the registered office of NOVA at 801 Seventh Avenue S.W., Calgary, Alberta, Canada, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits the proxy is revoked.

PERSON MAKING THE SOLICITATION

This solicitation of proxies is made by and on behalf of the Board of Directors and the management of NOVA and the costs thereof will be borne by NOVA. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited by personal interviews, telephone or other telecommunication device, by directors, officers and employees of NOVA, who will not be specifically remunerated therefor. In addition, NOVA has retained The Proxy Solicitation Company Ltd., 55 University Avenue, Suite 1705, Toronto, Ontario M5J 2H7, at a fee of approximately $12,000 plus out-of-pocket expenses, and Georgeson & Company Inc., Wall Street Plaza, New York, New York 10005, at a fee of approximately U.S. $9,000 plus out-of-pocket expenses, to aid in the solicitation of proxies from individual and institutional investors in Canada and the United States, respectively.

In soliciting proxies, no person is authorized to give any information or to make any representations other than those contained in this Information Circular and, if given or made, such information or representations must not be relied upon as having been authorized to be given or made.

EXERCISE OF DISCRETION

The Common Shares represented by the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the holder thereof. **In the absence of such specification, such Common Shares will be voted in favour of the election of each of the directors named for the term specified on the form of proxy, in favour of the appointment of Ernst & Young as auditors and the authorization of the directors to fix their remuneration, in favour of the share compensation arrangement for J. E. Newall, in favour of the approval of the amendments to the Employee Incentive Stock Option Plan (1982) of NOVA (the "Option Plan") and in favour of the amendments to NOVA's Restated Articles of Incorporation.** The persons appointed under the enclosed form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. At the time of printing this Information Circular, the Board of Directors and the management of NOVA know of no such amendment, variation or other matter.

COMMON SHARES AND PRINCIPAL HOLDERS THEREOF

As of February 28, 1995, NOVA had outstanding 478,474,113 Common Shares (495,039,842 Common Shares on a fully diluted basis). Each Common Share confers upon the holder thereof the right to one vote on a ballot, if called, on each matter that may properly be brought before the Meeting.

The close of business on March 22, 1995 is the record date for the determination of holders of Common Shares entitled to notice of, and to attend and vote at, the Meeting. Any transferee or person acquiring Common Shares after such date may, on proof of ownership of Common Shares, demand not later than 10 days before the Meeting that his or her name be included in the list of persons entitled to attend and vote at the Meeting.

The representation in person or by proxy of at least 10% of the outstanding Common Shares is necessary to provide a quorum at the Meeting. Directors are elected by a plurality of the affirmative votes cast. A majority of the Common Shares which are voted in person or by proxy at the Meeting is required for approval of the appointment of Ernst & Young and approval of the amendments to the NOVA Option Plan. The resolution approving the share compensation arrangement for J. E. Newall requires a majority of the votes cast by the Common Shareholders voting in person or by proxy at the Meeting other than votes attaching to Common Shares beneficially owned by Mr. Newall or his associates. The special resolution approving the amendments to NOVA's Restated Articles of Incorporation requires the affirmative vote of at least two-thirds of the votes cast on the special resolution.

As at February 28, 1995, no person or company, to the knowledge of the directors or senior officers of NOVA, beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 5% of the voting rights attached to all outstanding Common Shares of NOVA.

ELECTION OF DIRECTORS

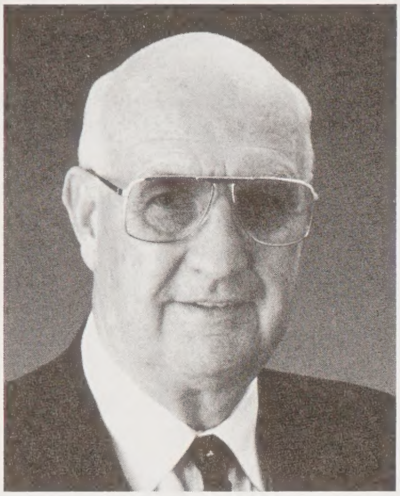
The NOVA articles currently provide for the Board of Directors to consist of a minimum of 15 directors and a maximum of 20 directors. The number of directors presently in office is 17. The information given herein with respect to each director is based upon information furnished to NOVA by each director.

Directors and Nominees for Election as Directors of NOVA

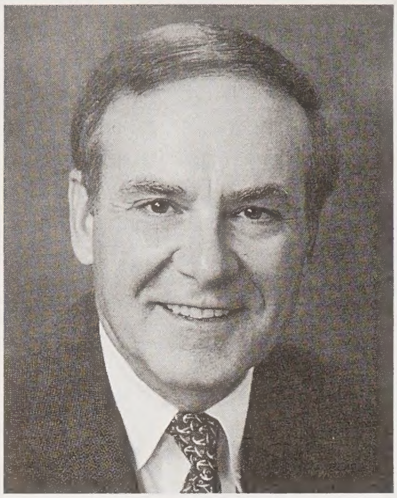
In accordance with the Restated Articles of Incorporation and the General By-law of NOVA, the Board of Directors has determined that 15 directors are to be elected at the Meeting by the Shareholders. The term of office proposed for each nominee for election as director is a term of one year expiring at NOVA's 1996 annual meeting or until a successor is earlier elected or appointed.

The nominees for election as directors of NOVA are F. P. Boer, R. B. Coleman, J. G. Day, R. F. Haskayne, J. J. Healy, H. N. Hotchkiss, W. N. Kissick, J. M. MacLeod, H. P. Milavsky, J. E. Newall, N. Pappas, R. L. Pierce, J. G. Rennie, C. E. Ritchie and A. Wexler. Each person nominated for election at the Meeting is currently a director of NOVA.

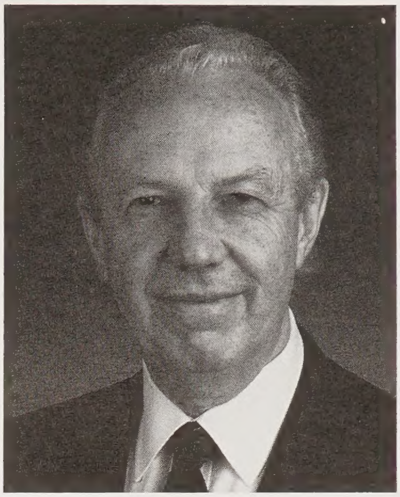
Set forth hereafter in alphabetical order is the principal occupation (including all positions currently held with NOVA) of each person who is a director of NOVA on the date hereof, the period during which each has served as a director of NOVA and certain other directorships held by each such director. Each such director has held his or her present principal occupation or executive position with the same or associated firms for the past five years except as set forth below. Where used below in descriptions of past association, "NOVA" means NOVA Corporation since April 28, 1994 and NOVA Corporation of Alberta prior thereto. Proxies in favour of the persons named in the accompanying form of proxy will be voted in favour of the election for a one year term of each of the 15 persons named in the proxy as nominees for election as directors. The Board of Directors and management do not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.



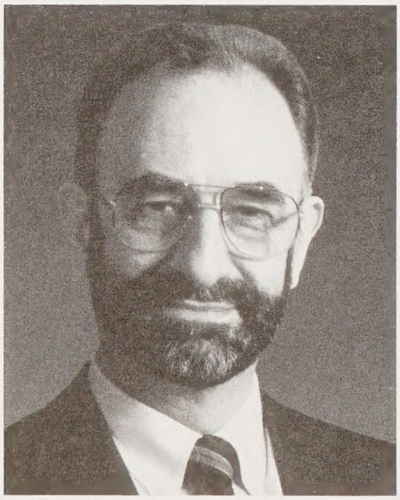
Hon. John B. Aird, C.C., Q.C. has been a director of NOVA since August 26, 1988. He is Counsel in the law firm Aird & Berlis in Toronto, Ontario, where he resides and, prior to February 1993 he was Honorary Chairman and Senior Partner of that firm. He is Chancellor Emeritus of the University of Toronto and Third Visitor, Massey College, University of Toronto, and between 1980-1985 he served as the Lieutenant Governor of the Province of Ontario. The Hon. J. B. Aird is Chairman Emeritus of The Canadian Institute for Advanced Research, Honorary Chairman of the Board of The Consumers' Gas Company Ltd., a gas utility company, Honorary Chairman of the Board of Algoma Central Corporation, Honorary Director of The Molson Companies Limited, Special Representative of the Bermuda Commercial Bank Limited and also serves on the Boards of Economic Investment Trust Limited, INCO Limited, Rosseau Management Limited and Sherwood Inn, Limited. The Hon John B. Aird will be ineligible for re-election to NOVA's Board in 1995 under NOVA's Directors' retirement policy.



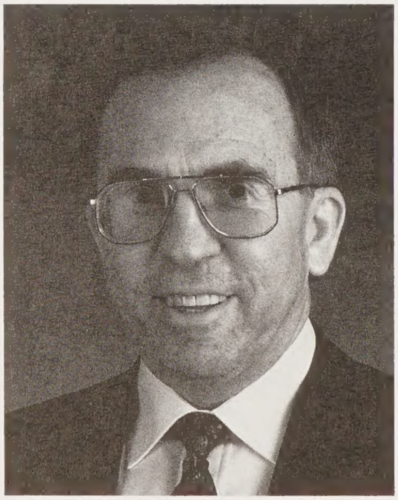
Dr. F. Peter Boer has been a director of NOVA since February 21, 1991. He resides in Village of Golf, Florida. He is Executive Vice President and Chief Technical Officer of W.R. Grace & Co. with responsibilities for research and development, engineering, business development, environmental, health and safety. He is Chairman of the National Medal of Technology Evaluation Committee in the United States Department of Commerce and serves on The Clean Air Act Advisory Committee of the Environmental Protection Agency and on the National Science Resource Board. He is affiliated with advisory committees at Princeton University, the University of Chicago, Texas A&M University and Georgia Institute of Technology. Dr. Boer holds an AB in Physics from Princeton University and a PhD in Chemical Physics from Harvard University and is the author of over 100 publications.



Ronald B. Coleman has been a director of NOVA since June 18, 1987. He resides in the City of Calgary and is President of R.B. Coleman Consulting Co. Ltd. and of Dominion Equity Resource Fund Inc., companies engaged in oil and gas activities. He also is a director of Dominion Equity Resource Fund Inc. and serves on the Boards of Landmark Corporation, The Maritime Life Assurance Company, Canadian Conquest Exploration Inc., LMK Energy Inc., Conserve Energy Corporation and High Bullen Resources Ltd.

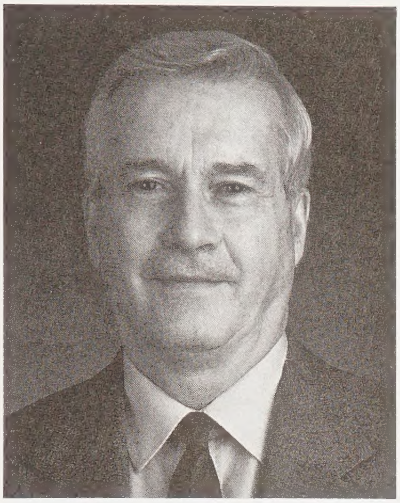


Sir J. Graham Day has been a director of NOVA since October 26, 1990. He resides in Hantsport, Nova Scotia and is retired. Prior to his retirement in 1993 he was Chairman of the Board of Cadbury Schweppes plc, a manufacturer of beverages and confectionery, and of Powergen plc, an electrical power generating company. Prior to April 1992 he was Chairman of the Board of British Aerospace plc, a company involved in defense industries and the manufacture of civil aircraft and automobiles. Prior to October 1991 he was Chairman of the Board of Rover Group Holdings plc, a company engaged in the manufacture and sale of automobiles. He is Chancellor of Dalhousie University, Chairman of the Board of Crombie Insurance Company (U.K.) Ltd. and also serves on the Boards of John Labatt Limited, Altnacraig Shipping plc, Extendicare Inc., Jebsens Thun Shipping (Luxembourg) SA, The Bank of Nova Scotia, The Laird Group plc, Thorn-Emi plc, Thorn-Emi Senior Executive Pension Scheme Trust Ltd., Empire Company Limited, The Shaw Group Ltd. and Nova Scotia Power Inc.

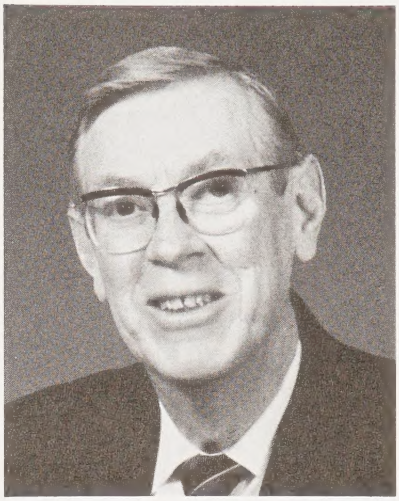


Richard. F. Haskayne, F.C.A. has been a director of NOVA since May 2, 1991 and Chairman of the Board since April 21, 1992. Prior to April 1992 he was Special Advisor to the Board of Directors of NOVA. He resides in the City of Calgary. Prior to April 1991 he was Chairman, President and Chief Executive Officer of Interhome Energy Ltd. He is also a director of the Canadian Imperial Bank of Commerce, Fording Coal Limited, Manufacturers Life Insurance Company, TransAlta Corporation, Alberta Energy Company Ltd., Crestar Energy Inc., Home Oil Company Limited, MacMillan Bloedel Limited and certain subsidiaries and affiliates of NOVA and is Chairman of the Board of Governors of the University of Calgary.

J. Joseph Healy has been a director of NOVA since April 19, 1977. He resides in the City of Edmonton and is the President of Healy Motors Limited, a company engaged in transportation. He also serves on the Boards of Healy Truck & Body Centre Ltd., Car Leasing (Alberta) Ltd. and Burnside Holdings Ltd.

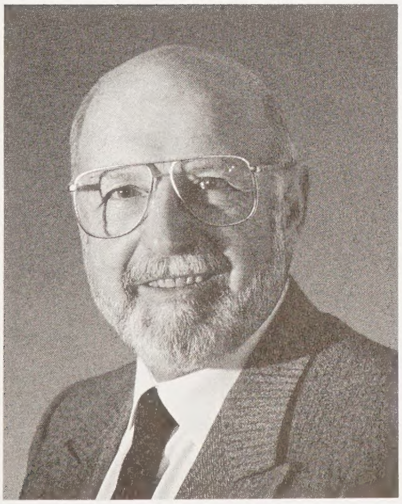


Harley N. Hotchkiss has been a director of NOVA since May 11, 1979. He resides in the City of Calgary and invests directly and through private companies in oil and gas, real estate, agriculture and professional sports. He is Chairman, Board of Management of Foothills Provincial Hospital, Chairman, Board of Directors of Calgary Flames Inc. and National Hockey League Governor for the Calgary Flames Hockey Club. He also serves on the Boards of Conwest Exploration Company Limited, Paragon Petroleum Corporation and Telus Corporation.



W. Norman Kissick, retired, has been a director of NOVA since February 28, 1992 and resides in Agincourt, Ontario. Prior to May 1991, he was Chairman and Chief Executive Officer of Union Carbide Canada Ltd., a company involved in diversified manufacturing. Mr. Kissick serves on the Boards of Avenor Inc. and the Toronto-Dominion Bank.

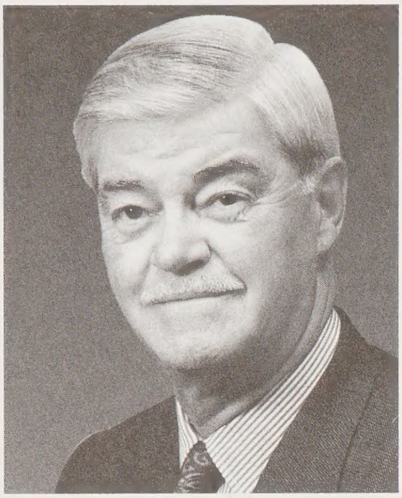
J. M. (Jack) MacLeod has been a director of NOVA since February 26, 1993. He resides in the City of Calgary. Prior to February 1993, he was President and Chief Executive Officer of Shell Canada Limited, an integrated oil, gas and petrochemical company. He is a director of Trimac Limited, BOVAR Inc., Wascana Energy Inc., Sun Life Assurance Company of Canada, the C.D. Howe Institute and The Van Horne Institute and a member of the Advisory Board of Alberta Northeast Gas Limited. In the voluntary sector, he is director and chairman of Learning for a Sustainable Future, director and chairman of the Foothills Hospital Foundation Board, and a member of the National Round Table on the Environment and the Economy.



Harold P. Milavsky, F.C.A. has been a director of NOVA since April 26, 1988. He resides in the City of Calgary and is Chairman, Quantico Capital Corp., a company engaged in principal investments and acqisitions, merchant banking and investment advisory services. Prior to July, 1994, he was Chairman of the Executive Committee and a director of Trizec Corporation Ltd. and prior to April, 1993, he was Chairman of the Board of Trizec Corporation Ltd. He is also Chairman of the Board of Carena Developments Ltd. and also serves on the Canadian Boards of Amoco Canada Petroleum Company Ltd., Brascan Limited, Coscan Development Corporation, London Insurance Group and the London Life Insurance Company, Wascana Energy Inc. and Telus Corporation.

J. E. (Ted) Newall, O.C. has been a director of NOVA since August 13, 1991. He is Vice Chairman and Chief Executive Officer of NOVA and, prior to September 1, 1994, was President and Chief Executive Officer of NOVA. He resides in the City of Calgary. Prior to September 1991, he was Chairman and Chief Executive Officer of DuPont Canada Inc. and Senior Vice President, Agricultural Products, of E.I. du Pont de Nemours & Co. Prior to November 1990 he was Chairman and Chief Executive Officer of DuPont Canada Inc. and Group Vice President, International, of E.I. du Pont de Nemours & Co. He is also a director of BCE Inc., Methanex Corporation, The Molson Companies Limited, Alcan Aluminium Limitée, the Royal Bank of Canada and certain subsidiaries and affiliates of NOVA.

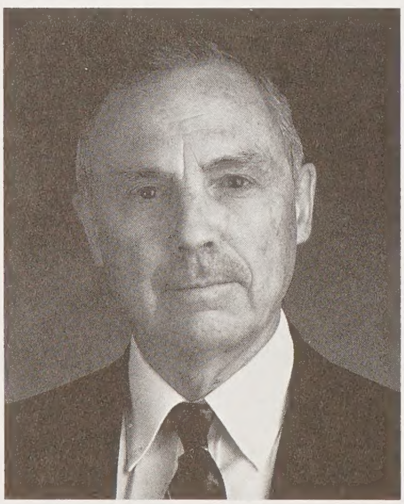
Dr. Nicholas Pappas has been a director of NOVA since February 28, 1992 and resides in Centerville, Delaware. Dr. Pappas is President and Chief Operating Officer of Rollins Environmental Services, Inc., a company involved in hazardous waste treatment and management. Prior to June 1991, he was retired and, prior to January 1991, he was Executive Vice President of E.I. du Pont de Nemours & Co. Dr. Pappas also is a member of the Boards of Medical Center of Delaware, Chemfab Corp. and Yenkin-Majestic Corp., a member of the Board of Trustees of the Delaware Art Museum, and a member of American Men of Science, Sigma Xi and Alpha Chi Sigma.



Robert L. Pierce, Q.C. has been a director of NOVA since May 13, 1977. He was a Senior Vice President of NOVA from December 31, 1991 to May 16, 1994 and prior to December 1991 was an Executive Officer of NOVA and some of its affiliated companies. He resides in the City of Calgary. He also serves on the Boards of The Bank of Nova Scotia, Interstate Natural Gas Association of America, Canadian Chamber of Commerce, Greystone Capital Management Inc., Novagas Clearinghouse Ltd., Natural Gas Clearinghouse and certain subsidiaries and affiliates of the Corporation.

Janice G. Rennie, C.A. has been a director of NOVA since April 23, 1991 and resides in the City of Edmonton where she is a business consultant and advisor. Prior to September, 1994 she was Senior Vice President of Princeton Developments Ltd., a commercial real estate developer. Prior to December 1993 she was President, Prairie and Northwest Territories Region, prior to January 1992 she was Vice President and prior to June 1990 she was Vice President and Treasurer of that company. She is also President of Bellanca Developments Ltd. She is also a director of Edmonton Power and in January 1993 was appointed to the Audit Committee of the Province of Alberta.

Cedric E. Ritchie, O.C. has been a director of NOVA since February 28, 1992. He is retired Chairman of the Board and currently Chairman of the Executive Committee of the Board of The Bank of Nova Scotia, a Canadian chartered bank, and a director of the bank. He was Chairman of the Board from January 1993 until January 1995 and prior to January 1993 he was Chairman of the Board and Chief Executive Officer of that bank. He resides in Don Mills, Ontario. Mr. Ritchie serves on the Boards of The Canada Life Assurance Company, Ingersoll-Rand Company, The Japan Society, Maduro & Curiel's Bank N.V., Mercedes-Benz Canada Inc., Minorco, Moore Corporation Limited, Pacific Basin Economic Council, Canadian Committee, Solidbank Corporation, MacMillan Bloedel Limited and J. Ray McDermott, S.A. He is also Chairman of the Canada-Philippines Council and the Canadian Business Committee on Jamaica.



Daryl K. (Doc) Seaman, O.C. has been a director of NOVA since April 9, 1973 and was Chairman of the Board of NOVA from September 1991 to April 1992. He resides in the City of Calgary and is Chairman of Dox Investments Inc., a company engaged in natural resource exploration and development. Prior to May 1991 he was Chairman and Chief Executive Officer of Bow Valley Industries Ltd. He also serves on the Boards of Trimac Limited, Renaissance Energy Ltd., Encal Energy Ltd., the Calgary Flames Hockey Club Ltd., the OH Ranch Ltd., Potash Corporation of Saskatchewan Inc. and certain subsidiaries and affiliates of NOVA. Mr. Seaman will be ineligible for re-election to NOVA's Board in 1995 under NOVA's Directors' retirement policy.

Anne Wexler has been a director of NOVA since December 9, 1994. She is Chairman and Chief Executive Officer of The Wexler Group and resides in Washington, D.C. She also serves on the Boards of Alumax, Inc. The Continental Corporation, Comcast Corporation, The Dreyfus Corporation Index Funds, The Dreyfus Corporation Mutual Funds and New England Electric System. She served as senior advisor on the Clinton-Gore Transition Team, was Assistant to President Carter for Public Liaison and prior to that appointment was Deputy Under Secretary of Commerce.

BENEFICIAL OWNERSHIP OF SECURITIES

The table below sets forth, as at March 3, 1995, information as to shares of NOVA beneficially owned, directly or indirectly or controlled or directed, including options to acquire such shares exercisable within 60 days of March 3, 1995, by each director of NOVA and by all directors and officers of NOVA, as a group, as provided to NOVA by such persons.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1) (2) (3)	Title of Class
John Black Aird, C.C., Q.C.	6,500 (4)	Common Shares
Dr. Frank Peter Boer	8,882	Common Shares
Ronald Borden Coleman	12,000 (5)	Common Shares
Sir Judson Graham Day	12,277 (6)	Common Shares
Richard Francis Haskayne, F.C.A.	122,646	Common Shares
John Joseph Healy	12,467 (5)	Common Shares
Harley Norman Hotchkiss	21,694 (5)	Common Shares
William Norman Kissick	8,684	Common Shares
John Morrison MacLeod	7,186 (5)	Common Shares
Harold Phillip Milavsky, F.C.A.	8,936 (5) (7)	Common Shares
James Malcolm Edward Newall, O.C.	1,649,638 (8)	Common Shares
Dr. Nicholas Pappas	9,296	Common Shares
Robert Lorne Pierce, Q.C.	395,031 (7) (10)	Common Shares
Janice Gaye Rennie, C.A.	10,156 (5)	Common Shares
Cedric Elmer Ritchie, O.C.	8,981 (7) (11)	Common Shares
Daryl Kenneth Seaman, O.C.	154,661 (12)	Common Shares
Anne Wexler	5,400	Common Shares
All Directors and officers as a group (29 persons, including those listed herein)	4,076,287 (9)	Common Shares

Notes:

(1) Other than as described in notes (4), (6), (11) and (12) below, these shares are subject to the sole voting and investment power of their beneficial owners.

(2) Each director's holdings represents less than one percent of the outstanding Common Shares and all directors and officers, as a group, hold approximately 0.85% of the outstanding Common Shares.

(3) Includes for Messrs. Haskayne, Newall, Pierce and 12 other officers 100,000, 1,430,000, 154,750 and 1,392,250 Common Shares, respectively, and for all other directors except Mrs. Wexler who holds 3,000 Common Shares, 6,000 Common Shares each which may be acquired pursuant to options which are or become exercisable within 60 days of March 3, 1995, which options were issued to such persons pursuant to the Option Plan.

(4) 500 of these Common Shares are held in trust for the spouse of the Hon. J. B. Aird. The Hon. J. B. Aird exercises sole voting power over these shares but disclaims beneficial ownership thereof.

(5) The trust funds associated with NOVA's pension plans are administered by the Audit and Finance Committee, composed of Mrs. Rennie and Messrs. Coleman, Healy, Hotchkiss, MacLeod and Milavsky. The foregoing information regarding the beneficial ownership of Common Shares by each director does not include an aggregate of 220,000 Common Shares held by the trustee for such pension plans and over which the Audit and Financial Committee has assumed no investment or voting control. The foregoing information does not include 17,805 Common Shares held by the pension plan of Foothills Pipe Lines Ltd.

(6) 3,913 of the Common Shares for Sir Graham Day are held by Sedna Holdings Limited, a family holding company.

(7) Excludes for Messrs. Milavsky, Pierce and Ritchie, each of whom may be deemed to have, but disclaims, beneficial ownership of: 12,390; 2,000; and 946,000 Common Shares, respectively. The 12,390 Common Shares for Mr. Milavsky are held as to 150 by his two daughters, who do not reside in the same residence as Mr. Milavsky and as to 12,240 by Quantico Capital Corp. of which he is Chairman. The 2,000 Common Shares for Mr. Pierce are held between his brother and sister-in-law, neither of whom resides in the same residence as Mr. Pierce. The 946,000 Common Shares for Mr. Ritchie are held as to 1,000 by his spouse, as to 495,000 by The Bank of Nova Scotia of which he is retired chairman of the board and current chairman of the executive committee and as to 450,000 by that bank's pension fund of which he is one of 11 co-trustees. The foregoing respective associates and family of Messrs. Milavsky, Pierce and Ritchie exercise sole voting and investment power over such Common Shares.

(8) 204,799 of Mr. Newall's Common Shares are owned by Waskesiu East Holdings Inc. Mr. Newall has majority control of Waskesiu East Holdings Inc.

(9) Excludes for two executive officers an additional 25,000 and 50,000 Common Shares which may be acquired pursuant to options which expire on April 25, 1995, which options were issued to such persons pursuant to the Option Plan.

(10) 5,281 of Mr. Pierce's Common Shares are owned by Danebro Investment Ltd., the shares of which company are held by Mr. Pierce.

(11) 1,200 of the 8,981 Common Shares shown for Mr. Ritchie are held by an estate of which he is executor; as executor he has sole voting and dispositive power over these Common Shares.

(12) 26,300 of Mr. Seaman's Common Shares are held by Dox Investments Inc. of which he is chairman.

BOARD OF DIRECTORS

The Board of Directors is responsible for managing the business and affairs of NOVA. It establishes the overall policies and standards for NOVA. The directors are kept informed of NOVA's operations at meetings of the Board and its Committees and through reports and analyses and discussion with management.

The Board of Directors meets on a regularly scheduled basis. In addition, communications between the directors and management occur apart from regularly scheduled Board and Committee meetings.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established four standing Committees and has delegated certain responsibilities to each of those Committees and has also instructed each of them to perform certain advisory functions and make recommendations and report to the Board.

The Board of Directors of NOVA does not have an Executive Committee. The Board of Directors of NOVA has a Human Resources Committee, an Audit and Finance Committee, a Public Policy, Risk and Environment Committee and a Corporate Governance Committee.

The Human Resources Committee of the Board of Directors of NOVA reviews recommendations for the appointment of persons to senior executive positions, considers terms of employment including succession planning and matters of compensation, recommends awards under the Option Plan and is responsible for the proper and orderly administration of NOVA's savings and profit sharing plans and pension plans, other than matters relating to the funding and investment of the plans' trust funds. The Human Resources Committee is composed of Messrs. Haskayne (Chairman), Kissick, Ritchie and Seaman, Drs. Boer and Pappas and Sir Graham Day.

The Audit and Finance Committee of the Board of Directors of NOVA meets with the independent auditors, internal auditors and senior executives of NOVA to review and inquire into matters affecting the financial reporting of NOVA, the system of internal accounting and financial controls and procedures, and NOVA's audit procedures and plans. The Committee also approves the issuance of debt securities, recommends to the Board of Directors of NOVA the auditors to be appointed, is responsible for the proper and orderly funding and administration of the trust funds associated with NOVA's savings and profit sharing plans and pension plans and reviews with management and reports to the Board, on an annual basis, on the financing plans and objectives of NOVA. The Audit and Finance Committee is composed of Mrs. Rennie and Messrs. Coleman, Healy, Hotchkiss (Chairman), MacLeod and Milavsky.

The Public Policy, Risk and Environment Committee of the Board of Directors of NOVA is responsible for overseeing the policies and practices of NOVA relating to the environment, occupational health and safety, corporate contributions, government relations and NOVA's role with special interest groups. The Public Policy, Risk and Environment Committee is composed of Mrs. Rennie, Mrs. Wexler and Messrs. Aird, Coleman, Healy, Kissick, MacLeod, Milavsky (Chairman), Pierce and Ritchie, and Drs. Boer and Pappas.

The Corporate Governance Committee of the Board of Directors of NOVA is responsible for the composition, compensation and governance of the Board of Directors of NOVA and recommends to the Board nominees for

election or appointment to the Board, as the case may be. In addition, this Committee is responsible for maintaining an effective working relationship between the Board of Directors and management of NOVA. The Corporate Governance Committee is composed of Mrs. Wexler and Messrs. Aird, Haskayne (Chairman), Ritchie and Seaman and Sir Graham Day.

As Messrs. Aird and Seaman will be ineligible for re-election to NOVA's Board in 1995 under NOVA's Directors' retirement policy they will also be retiring from the committees on which they currently serve.

EXECUTIVE OFFICERS

The table below shows the name, positions held with NOVA and principal occupations within the last five years of each person who is an executive officer of NOVA. Officers are appointed by the Board of Directors of NOVA from time to time and serve at the discretion of the Board of Directors.

Name	Position with NOVA	Principal Occupations and Positions During Last Five Years
James Malcolm Edward Newall, O.C.	Vice Chairman and Chief Executive Officer	Prior to September 1, 1994, President and Chief Executive Officer of NOVA since March 4, 1994 and, prior thereto, President and Chief Executive Officer of NOVA Corporation of Alberta since September 1991; prior to September 1991, Chairman and Chief Executive Officer of DuPont Canada Inc. and Senior Vice President, Agricultural Products, of E.I. du Pont de Nemours & Co.; prior to November 1990, Chairman and Chief Executive Officer of DuPont Canada Inc. and Group Vice President, International, of E.I. du Pont de Nemours & Co.
Jeffrey Marc Lipton	President	Prior to December, 1994, President and Chief Operating Officer; prior to September 1, 1994, Senior Vice President and Chief Financial Officer of NOVA since February 1994; prior to February 1994, Senior Vice President of Novacor Chemicals Inc.; prior to December 1993, Vice President, Corporate Plans of E.I. du Pont de Nemours & Co.; prior to January 1993, Vice President, Corporate Marketing and Continuous Improvement of E.I. du Pont de Nemours & Co.; prior to October 1990 Vice President, Polymer Products of E.I. du Pont de Nemours & Co.
Daniel Wilfrid Boivin	Senior Vice President, NOVA and President, Novacor Chemicals Ltd.	Prior to September 1, 1994, Senior Vice President, Olefins/Polyolefins, Novacor Chemicals Ltd.; prior to December 1993, Vice President and General Manager, Plastics, DuPont Canada Inc.
Bruce Wayne Simpson	Senior Vice President, NOVA and President, NOVA Gas Transmission Ltd.	Senior Vice President of NOVA.

Name	Position with NOVA	Principal Occupations and Positions During Last Five Years
Clarence Kent Jespersen	Senior Vice President, NOVA and President, Novacorp International Inc.	Senior Vice President, Natural Gas Services of NOVA since September 1993; prior to September 1993, Senior Vice President, Corporate Development of NOVA Corporation of Alberta; prior to June 1992, President of Foothills Pipe Lines Ltd.
Richard Charles Milner	Senior Vice President and Treasurer	Senior Vice President and Treasurer of NOVA since March 4, 1994 and, prior thereto, of NOVA Corporation of Alberta since September 1993; prior to September 1993, Vice President and Treasurer of NOVA Corporation of Alberta.
Jack Stephen Mustoe	Senior Vice President and General Counsel	Prior to October 21, 1994, Senior Vice President, General Counsel and Corporate Secretary of NOVA.
Brian Franklin Olson	Senior Vice President	Executive Vice President of Novacorp International Inc. since January 24, 1995 and President and Chief Executive Officer of Pan-Alberta Gas Ltd. since February 1, 1995; Senior Vice President of NOVA since March 4, 1994; prior to March 4, 1994, Senior Vice President, Human Resources of NOVA Corporation of Alberta since September 1993 and, prior to September 1993, Vice President, Human Resources of NOVA Corporation of Alberta.
Sheila Helen O'Brien	Senior Vice President, Human Resources	Prior to January 24, 1995, Vice President for People and Community, NOVA Gas Transmission Ltd.; prior to July 29, 1994, Vice President for People, NOVA Gas Transmission Ltd.; prior to May 1994, Vice President for People, Alberta Gas Transmission Division of NOVA Corporation of Alberta; prior to March 1993, Director, Public Affairs, NOVA Corporation of Alberta; prior to July 1992, President of Belvedere Communications; prior to November 1991, Director, Public Affairs, Petro-Canada.
Albert Terence Poole	Senior Vice President and Chief Financial Officer	Prior to September 1, 1994, Senior Vice President, Corporate Development and Controller of NOVA since March 4, 1994 and, prior thereto, of NOVA Corporation of Alberta since September 1993; prior to September 1993, Vice President and Controller of NOVA Corporation of Alberta.

REPORT ON EXECUTIVE COMPENSATION

Composition of the Human Resources Committee

The Human Resources Committee of the Board of Directors is the committee of the Board that is responsible for the overall executive compensation strategy of NOVA and the on-going monitoring of the strategy's implementation. It is composed of Messrs. Haskayne (Chairman), Kissick, Ritchie and Seaman, Drs. Boer and Pappas and Sir Graham Day. None of the members of the Committee is or was formerly an officer or employee of NOVA or any of its subsidiaries. However, Mr. Haskayne was under contract to NOVA as Special Advisor to the Board from April 1991 to April 1992 and is now paid a consulting fee by NOVA in respect of his duties as Chairman of the Board. See "Compensation of Directors". The chairman of the Committee has direct access to NOVA's external consultants on compensation and human resources matters.

Report of the Human Resources Committee

The Human Resources Committee's mandate includes all executive compensation matters and making recommendations, where necessary, on compensation matters to the Board.

NOVA's executive compensation policies are designed to provide competitive compensation for achieving NOVA's annual and long term goals.

The major elements of the executive compensation program are base salary, annual performance incentives, long term incentives through the granting of stock options, and non-cash compensation. The Human Resources Committee annually monitors comparative remuneration data to ensure that target levels of overall compensation are competitive with similar Canadian industrial organizations. In any particular year NOVA's executive officers may be paid more or less than executive officers at comparator organizations depending on corporate and business unit performance and individual contribution.

Base Salaries

Base salaries for all executive officers are paid within salary ranges established for each position on the basis of the level of responsibility of the position relative to others in NOVA. The salary range for each position is determined through annual comparative salary surveys of 13 to 18 large Canadian industrial organizations of similar size and complexity to NOVA and set at approximately the average of the survey group. Individual salaries within a range are determined by that officer's contribution to NOVA.

The 1994 review of industry trends and comparative salary levels indicated that no adjustment to salary ranges was required. In 1995, market data indicates a need to make only minor adjustments in salary ranges to maintain competitiveness.

Mr. Newall's base salary was established by contract when he was hired in 1991 (see "Employment Contracts"). In 1992, NOVA engaged the services of a consultant to review the competitiveness of Chief Executive Officer ("CEO") compensation as compared to 17 other like organizations. The consultant and the committee concluded that CEO compensation was competitive. In lieu of cash salary compensation Mr. Newall's contract was revised in 1993 to provide compensation in the form of 17,000 Common Shares per quarter for 1994 and 1995.

Non-Cash Compensation

Non-cash compensation includes employee benefits, perquisites and vacations. NOVA's non-cash compensation programs are designed to produce an overall position which approximates the average of large Canadian industrial organizations. NOVA's positioning in non-cash compensation is monitored annually. Mr. Newall does not receive any non-cash compensation that is different from that received by other executive officers, other than as described under "Supplementary Pension Agreements" and "Employment Contracts". As Mr. Newall did not receive cash salary compensation in 1994, a notional salary, equivalent to what he would have received in cash, was utilized to calculate benefits for which he is eligible. This approach to determining benefits will continue in 1995.

Management Incentive Plan

The Management Incentive Plan is designed to recognize the contributions to corporate and business results of executive officers and senior managers and constitutes a significant part of compensation. This plan provides for annual cash awards based on corporate and business unit performance and individual contribution to NOVA's results which are measured against predetermined objectives. As the employee's responsibility level increases, the Management Incentive Plan represents an increasing portion of total compensation. The guiding principle in the establishment of the performance targets and weightings of the various components of the plan is to achieve a total compensation position, including base salary and management incentive target award, at the average of like organizations if performance objectives, as approved by the Board of Directors, are achieved.

Management Incentive Plan awards are based on three components:

- *(a) corporate performance — based on the achievement of consolidated net operating income goals;*
- *(b) business unit performance — based on the achievement of business related objectives, generally equally divided between financial objectives and other objectives such as improvement in environment, health and safety performance, customer service, operating performance, or other specific objectives; and*
- *(c) individual contribution — based upon the achievement of specific individual objectives.*

A target incentive award, based on each participant's level of responsibility, is set and communicated to each participant annually. Target awards are weighted 30% individual contribution and 70% corporate and business results. The 70% weighting factor for corporate and business results is split depending on the focus of the participant's position.

The actual incentive award paid each year, if any, is determined with reference to achievements in the three components set out above. If minimum performance levels are not reached, no incentive is payable. If target performance levels are reached, the target incentive award is payable. Provision is made in the plan to pay incentives in excess of the target award, to a maximum established by the Board, if performance in a year is exceptional. The factor by which the incentive award is calculated is pro-rated between the minimum target and maximum award depending on actual performance under each of the three components. In administering the plan, the Human Resources Committee may use its judgement in varying the amounts payable to participants if the results of the application of the earnings targets confers unintended results to participants. Management incentive awards are not taken into account for the purpose of calculating pension benefits. As corporate objectives were greatly exceeded in 1994, awards above the target level were made in 1995 for 1994 performance. In 1994, the non-financial objectives were met or exceeded resulting in payments which were above target levels.

Mr. Newall's management incentive payments are based strictly on the terms of the Management Incentive Plan, making him eligible for an incentive of 50% of base salary if his target is achieved and up to 125% if it is significantly exceeded. On that basis, his management incentive payment for service in 1994 was calculated at 124% of his base salary, (which was notionally set at $625,000 for 1994 and 1995 by the Human Resources Committee) for the purposes of determining payments from the plan and certain employee benefits. Mr. Newall's payment, which was taken in the form of Common Shares, was based on 250% achievement of corporate objectives weighted at 70% and 243% achievement of individual performance objectives weighted at 30%. Mr. Newall received 72,100 Common Shares in lieu of his 1994 incentive payment. The number of Common Shares issued, as his 1994 incentive payment, was calculated by taking the amount of cash which he was eligible to receive under the Management Incentive Plan divided by the closing price of Common Shares on The Toronto Stock Exchange on March 2, 1994.

Option Plan

The purpose of the Option Plan is to provide incentive to key employees, including the CEO and each of NOVA's four other most highly compensated executive officers (the Named Executive Officers, "NEO's"), to: (a) align management interests with those of the common shareholder; (b) contribute to growth of shareholder value; (c) produce constant improvement in operating results; (d) remain as employees; and (e) become the owners of Common Shares.

The objective of the Option Plan is to provide compensation at the 75th percentile of comparable industrial organizations as the result of generating growth in Common Share value. A consultant review in 1992 confirmed that the awards under the Option Plan are at the desired level. Options are granted by the Board on the recommendation of the Human Resources Committee for the purchase of a set number of Common Shares at an exercise price equal to the closing price of the Common Shares on The Toronto Stock Exchange on the date of grant. Each option may be exercised over a 10 year period and options generally vest as to one-quarter at the date of grant and an additional one-quarter per year for the next three years. Alternate vesting, up to full vesting at the date of grant, may be granted at the Board's discretion.

The number of options granted to each eligible employee, including executive officers, is determined by a formula based on base salary and levels of responsibility and is adjusted with reference to the relative performance of such employee. The criteria used for making such adjustments in respect of grants to executive officers are: (a) the relative level of achievement of the executive officer; (b) the level of responsibility of each executive officer; (c) whether or not the executive officer has been given additional responsibilities; (d) the number of shares under options then held by the executive officer; and (e) the competitiveness of the grants with similar organizations.

With regard to the above criteria, the Board, in 1994, granted to Mr. Newall an option to purchase 161,000 Common Shares.

BY THE HUMAN RESOURCES COMMITTEE

R. F. Haskayne (Chairman)
F. P. Boer
Sir Graham Day
W. N. Kissick
N. Pappas
C. E. Ritchie
D. K. Seaman

Compensation of Officers

The following table sets forth the compensation paid by NOVA to the CEO and the NEOs, in each case in respect of the fiscal years ended December 31, 1994, 1993 and 1992.

Summary Compensation Table

(Columns reflect Canadian dollars except Options column which reflects number of shares under option)

		Annual Compensation			Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary (1)	Bonus (2) (6)	Other Annual Compensation (7) (15)	Securities Under Option/ SAR's Granted (9)	Restricted Shares or Restricted Share Units (10)	LTIP Payouts (10)	All Other Compensation (8) (15)
J. E. Newall Vice Chairman and Chief Executive Officer	1994 1993 1992	822,375 (3) 609,000 600,000	775,000 (4) 340,000 (5) 468,000 (12)	 56,115 (11) 	161,000 216,000 150,000	N/A N/A N/A	N/A N/A N/A	43,039 35,735
J. M. Lipton President	1994 1993 1992	466,668 37,500 N/A	550,000 15,000 N/A		225,000 200,000 N/A	N/A N/A N/A	N/A N/A N/A	283,914 (14) N/A
J. E. Feick (13) Senior Vice President	1994 1993 1992	314,247 308,750 300,000	244,000 130,000 152,000		52,000 53,000 50,000	N/A N/A N/A	N/A N/A N/A	23,447 18,275
B. W. Simpson Senior Vice President	1994 1993 1992	263,247 256,000 250,008	215,000 100,000 133,000		43,000 45,000 50,000	N/A N/A N/A	N/A N/A N/A	19,042 16,599
C. K. Jespersen Senior Vice President, Natural Gas Services	1994 1993 1992	241,128 228,375 225,000	200,000 125,000 80,000		50,000 33,000 75,000	N/A N/A N/A	N/A N/A N/A	16,518 12,978

Notes:

(1) See "Report of the Human Resources Committee — Base Salaries".

(2) NOVA has in place a management incentive plan which has clear objectives for participants and as such does not operate as a 'bonus' plan. The use of the word "bonus" is a requirement of the Ontario Securities Commission. See "Report of the Human Resources Committee — Management Incentive Plan". The annual incentive amounts are earned in the year reported and paid in the first quarter of the following year.

(3) Mr. Newall's 1994 salary was paid in the form of 17,000 Common Shares per quarter. His salary is calculated using the closing price on The Toronto Stock Exchange on the last day of each quarter.

(4) Mr. Newall's incentive compensation award is also paid to him in Common Shares and the $775,000 will be paid with 72,100 shares, based on the March 2, 1995 closing price on The Toronto Stock Exchange.

(5) Mr. Newall's 1993 management incentive payment was made in the form of 36,800 Common Shares. See "Report of the Human Resources Committee — Management Incentive Plan".

(6) Mr. Newall's annual incentive for the period of September 1, 1991 to August 30, 1993 was guaranteed at one-third of his base salary under the terms of his initial contract of employment. See "Report on Executive Compensation — Employment Contracts".

(7) The CEO and each NEO is in receipt of benefits and perquisites in addition to base salary and management incentive payments. The value of these benefits and perquisites does not exceed the lesser of $50,000 or 10% of the total annual salary and management incentive payment except for Mr. Newall. In 1994 NOVA reported amounts paid under the NOVA Savings and Profit Sharing Plan in this column. NOVA has been instructed by the Ontario Securities Commission to report these amounts in the "All Other Compensation" column.

(8) Includes the dollar value of insurance premiums paid by NOVA with respect to term life insurance for the benefit of the CEO and each NEO plus amounts paid under the NOVA Savings and Profit Sharing Plan.

(9) This column shows the total number of Common Share options granted to the CEO and each NEO during each respective year. See "Report of the Human Resources Committee — Stock Option Plan". NOVA has not granted any stock appreciation rights ("SAR's"). In 1994 NOVA reported the cumulative total of options held by the CEO and each NEO at the end of each respective year. NOVA has been instructed by the Ontario Securities Commission to report the total number of options granted in each year.

(10) NOVA does not grant Restricted Shares or Restricted Share Units and it does not have a long term incentive plan ("LTIP").

(11) Includes $36,751 received as a taxable benefit for use of the corporate plane in 1993.

(12) Mr. Newall's 1992 management incentive award was comprised of an option to acquire 50,000 Common Shares at the market price prevailing at the time the option was granted and a cash payment of $318,000.

(13) Mr. Feick received a termination payment, consistent with the terms of his employment contract, of $913,715.00 on January 2, 1995 and will receive a further payment of 2.5 times his 1994 incentive compensation payment.

(14) Includes a payment of $263,045.62 as relocation budget and transition allowance in respect of Mr. Lipton's move from the U.S. to Canada.

(15) In accordance with the transitional provisions of the Ontario Securities Commission's recently revised rules on executive compensation disclosure in proxy statements, amounts of "Other Annual Compensation" and "All Other Compensation" have not been included for the fiscal year 1992.

Stock Options

The table below shows the number of Common Shares available for purchase under share purchase options granted to the CEO and each of the NEO's during the period from January 1, 1994 to December 31, 1994 together with the percentage that the grant represents of total options granted by NOVA to its employees and employees of its subsidiaries in fiscal 1994, the per security exercise price, the per security market value of the underlying securities on the date the options were granted and the expiration date of the options granted. NOVA has not granted any SAR's.

Option and/or SAR Grants

Name	Securities Under Option/ SAR's Granted (#)	% of Total Options/SAR's Granted to Employees in 1994	Exercise or Base Price ($) (1)	Market Value of Securities Underlying Options/SAR's on the Date of Grant ($) (1)	Expiration Date
J. E. Newall	161,000	6.1%	9.25	9.25	March 3, 2004
J. M. Lipton (a)	75,000	2.8%	9.25	9.25	March 3, 2004
(b)	150,000	5.7%	12.375	12.375	August 4, 2004
J. E. Feick	52,000	2.0%	9.25	9.25	March 3, 2004
B. W. Simpson	43,000	1.6%	9.25	9.25	March 3, 2004
C. K. Jespersen	50,000	1.9%	9.25	9.25	March 3, 2004

Note:

(1) Options are granted for Common Shares at the closing market price on The Toronto Stock Exchange on the date the grant is made by the Board. Options are granted for a term of ten years, exercisable on a cumulative basis as to 25% in the first 12 months, 25% in the second 12 months, 25% in the third 12 months and 25% thereafter for the term of the option.

The table below shows the number of Common Shares acquired on exercise of options during fiscal 1994 by the CEO and the NEO's, together with the aggregate dollar value realized on such exercises, the total number of Common Shares still available for acquisition under option, both vested and unvested, and the dollar value of "in-the-money" unexercised options, both vested and unvested.

Aggregated Option Exercises During the Year						
Name	Securities Acquired on Exercise	Aggregate Value Realized (1)	Unexercised Options/ SAR's at December 31, 1994		Value of Unexercised In-the-Money (2) (3) Options/SAR's at December 31, 1994	
			Non-Vested	Vested	Non-Vested	Vested
J. E. Newall	0	0	266,250	1,260,750	1,094,063	6,129,688
J. M. Lipton	0	0	268,750	156,250	656,250	468,750
J. E. Feick	87,000	138,765	78,000	232,000	318,438	1,177,188
B. W. Simpson	100,000	159,500	67,250	215,750	275,625	1,111,250
C. K. Jespersen	88,000	132,060	68,750	140,250	286,583	639,748

Notes:

(1) Calculated as the difference between the market value on exercise and the exercise price of the related option.

(2) Calculated as the difference between the closing price of Common Shares on December 30, 1994 ($13.00) and the exercise price of the related option.

(3) "In-the-money" means that the market value of the common shares underlying the options on that date exceeds the option exercise price.

Pension Plans

Officers, along with all salaried employees, participate in NOVA's non-contributory pension plans which provide a retirement income and a 60% surviving spouse's pension based on the officer's years of service and the average base salary of the highest three consecutive years of the officer's final 10 years of service adjusted to reflect benefits payable under government sponsored plans. The amount of pension may vary based on other factors including the age of the employee at retirement and the form of pension elected. The following table illustrates the amount of annual pension received by an employee retiring at age 62 on December 31, 1994 who has not elected an optional form of pension benefit.

Pension Plan Table							
	Years of Service						
Remuneration	5	10	15	20	25	30	35
125,000	9,000	20,500	32,000	41,700	55,000	66,700	79,200
150,000	11,000	25,000	39,000	50,800	67,000	81,200	96,200
175,000	13,000	29,500	46,000	59,900	79,000	95,700	113,200
200,000	15,000	34,000	53,000	69,000	91,000	110,200	130,200
225,000	17,000	38,500	60,000	78,100	103,000	124,700	147,200
250,000	19,000	43,000	67,000	87,200	115,000	139,200	164,200
300,000	23,000	52,000	81,000	105,400	139,000	168,200	198,200
400,000	31,000	70,000	109,000	141,800	187,000	226,200	266,200
500,000	39,000	88,000	137,000	178,200	235,000	284,200	334,200
600,000	47,000	106,000	165,000	214,600	283,000	342,200	402,200
700,000	55,000	124,000	193,000	251,000	331,000	400,200	470,200
750,000	59,000	133,000	207,000	269,200	355,000	429,200	504,200
800,000	63,000	142,000	221,000	287,400	379,000	458,200	538,200
850,000	67,000	151,000	235,000	305,600	403,000	487,200	572,200
900,000	71,000	160,000	249,000	323,800	427,000	516,200	606,200
950,000	75,000	169,000	263,000	342,000	451,000	545,200	640,200

Notes:

(1) NOVA's pension plan is a defined benefit plan. The benefit formula is integrated with the Canada Pension Plan ("CPP"). The non-contributory future service benefit is equal to the sum of (a) plus (b) where:

(a) is 1.0% times credited service times the lesser of
  (i) Highest Average Earnings (defined below) and
  (ii) Average Maximum Pensionable Earnings (defined below)

(b) is 1.6% times credited service times the amount, if any, by which the Highest Average Earnings exceeds the Average Maximum Pensionable Earnings.

Highest Average Earnings is the average of the highest 36 consecutive months of base salary in the last ten years and Average Maximum Pensionable Earnings is the three year average of the Year's Maximum Pensionable Earnings as determined in accordance with the Canada Pension Plan Act. Management incentive payments are not included in base salary for the purpose of determining pension benefits.

Pension benefits for (a) married retirees, upon death, consist of 60% of the member's benefit payable to the surviving spouse for life, and (b) single retirees are payable for life and are guaranteed for 5 years after pension commences.

Pension benefits are not subject to any deduction for social security or other offset amounts.

(2) Estimated credited years of service to December 31, 1994 for the CEO and each NEO are:

J. E. Newall — 3.33 years
J. M. Lipton — 1.08 years
J. E. Feick — 17.92 years
B. W. Simpson — 23.5 years
C. K. Jespersen — 18.75 years

(3) Table is calculated based on service in existing and continuing prior plans and includes supplementary pension amounts described below, but does not include optional contributory pension plan.

(4) Table shows benefit payable at age 62 if the employee left NOVA on December 31, 1994.

Supplementary Pension Agreements

NOVA's pension plan benefits are subject to maximum annual benefit accruals of $1,722.22 per year of credited service or to any greater maximum which may be provided for in the Income Tax Act (Canada) from time to time. NOVA has entered into pension agreements with certain officers and employees which provide for supplementary pension payments, computed with reference to the earned pension under NOVA's pension plan. These supplementary payments would be above the maximum annual benefit accrual permitted by NOVA's pension plan and, therefore, would not be deductible for income tax purposes by NOVA until paid to the respective officer or employee. The aggregate pension payments resulting from such agreements and the pension payments payable under NOVA's pension plan would be generally equivalent to the benefit which is earned under NOVA's pension plan without the maximum annual benefit described above. Although these supplemental pension agreements still exist with individual employees including the CEO and NEO's, in 1992 NOVA approved a policy to provide the same supplementary pension payments to all employees who become subject to the maximum annual benefit accrual.

In addition to the foregoing, Mr. Newall's employment contract (see "Employment Contracts") provides that he is guaranteed an annual pension of not less than $20,000 per annum per year of employment, resulting in NOVA agreeing to make up any short-fall between what the pension plans would provide and the $20,000 per annum amount. Mr. Newall is also entitled, after retirement and prior to age 65, to elect to receive as a lump sum the commuted value of the additional pension benefits provided for as noted above. At December 31, 1994 Mr. Newall's contractual annual pension benefit will be $66,600.00.

Mr. Lipton's employment contract provides that NOVA make up any short-fall should the value of pension benefits provided through NOVA and Mr. Lipton's previous employer be less than the value of pension benefits that Mr. Lipton would have received had he remained with his previous employer until retirement.

Employment Contracts

NOVA has entered into employment agreements with Mr. Newall, Mr. Feick and Mr. Lipton.

Mr. Newall's employment contract provides for an indefinite term of service at NOVA at a minimum annual salary of $600,000, reviewable annually with a view to determining appropriate increases (which are determined under NOVA's compensation policy — see "Report of the Human Resources Committee"). In 1994 Mr. Newall was paid, and in 1995 Mr. Newall will be paid, his annual salary in the form of 17,000 Common Shares per quarter. This level of compensation was determined by dividing the salary which he would otherwise have received of $625,000 by the Common Share price at the time the contract was amended. The purpose of this compensation arrangement was to directly link Mr. Newall's compensation to creating shareholder value. Mr. Newall's reported income for these years will reflect the number of Common Shares issued to Mr. Newall multiplied by the market price of these Common Shares on the date of issuance. His Management Incentive Plan target (see "Report of the Human Resources Committee") is 50% of his notional salary for achieving performance established by the Board of Directors objectives, up to a maximum of 125% for significantly exceeding such objectives. Mr. Newall received his management incentive payments in 1994 and 1995 for service in 1993 and 1994, respectively, in Common Shares.

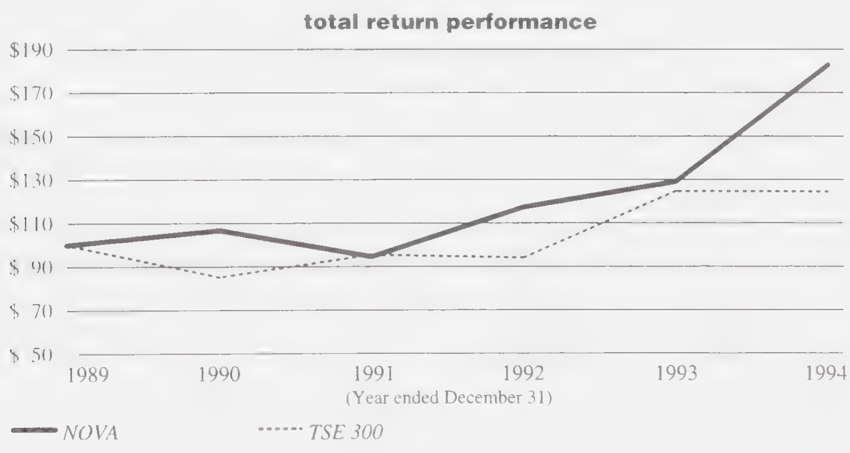
Mr. Newall's contract provides for the additional pension payments described above under "Supplementary Pension Agreements", $20,000 per annum in personal financial and tax planning fees and an initial stock option of 1,000,000 Common Shares vested as to 100% and exercisable for seven years without reference to whether or not Mr. Newall is still employed by NOVA over that seven year period. In the event of Mr. Newall's termination of employment other than for cause, he is entitled to be paid a termination payment consistent with the prevailing practice of NOVA at the time of his termination, in lieu of any compensation he might otherwise have received from NOVA.

Mr. Lipton's employment contract provides for an indefinite term of service at a minimum salary of $450,000, reviewable annually with a view to determining appropriate increases (which are determined under NOVA's compensation policy — see "Report of the Human Resources Committee"). For the first year of his employment contract he was entitled to a minimum additional management incentive payment equal to 40% of his salary. Mr. Lipton's employment contract provides for an initial stock option of 200,000 Common Shares in accordance with the terms of the Option Plan. During the one year waiting period where Mr. Lipton is not eligible to participate in the NOVA Employee Savings and Profit Sharing Plan, Mr. Lipton received additional compensation in cash equivalent to the amount he would have received if he were entitled to participate in the plan through the provision of monthly payments at a rate of 5.6% of salary. NOVA also provided Mr. Lipton with assistance with the sale of his home in the United States and his relocation to Calgary in the form of real estate and transition support. In the event of termination of his employment, other than for cause, Mr. Lipton is entitled to be paid one times the salary and management incentive payments received by him in the most recently completed year along with compensation for loss of benefits, savings plan and pension plan contributions and the cost of relocation back to the United States, all payable in lieu of damages.

When Mr. Feick left the employment of NOVA on January 2, 1995 he received a payment of $913,715.00 and he will receive a further payment of 2.5 times his 1994 incentive compensation payment, all in accordance with his employment agreement. Mr. Feick's employment agreement entitled him to a minimum annual salary of $300,000 and to benefits, management incentive payments and options in amounts determined in accordance with NOVA's compensation policies. In the event of his termination of employment, other than for cause, Mr. Feick was entitled to be paid an amount equal to 2.5 times the salary and management incentive payments received by him in the most recently completed year along with compensation for loss of benefits, savings plan and pension plan contributions that would have been made over the next 30 months, all payable in lieu of damages. In addition, his options will continue to vest and be exercisable over the next 30 months, subject to regulatory approval.

Total Return Performance

The following graph demonstrates a five calendar year comparison of cumulative total return (assuming reinvestment of dividends) performance based upon an initial investment of $100 invested on December 31, 1989 in Common Shares as compared with The Toronto Stock Exchange's TSE 300 Composite Index.



Compensation of Directors

Each director who is not a full-time employee of NOVA is paid a retainer fee of $15,000 per year which is paid quarterly, an attendance fee of $1,500 for each meeting attended, except in the case of the Chairman of the Board to whom a fee of $3,000 (including the $1,500 attendance fee) is paid for each meeting attended, and a travel fee of $1,500 for one travel day prior to each meeting attended where travel is required out of province and $3,000 where travel is required out of country. Directors who are full-time employees of NOVA do not receive directors' fees. Directors who are members of the Human Resources Committee, Audit and Finance Committee, Corporate Governance Committee or Public Policy, Risk and Environment Committee, who are not full-time employees of NOVA, are paid $1,500 for each committee meeting attended, except in the case of the chairman of each such Committee to whom a fee of $3,000 (including the $1,500 attendance fee) is paid for each meeting

attended and a travel fee of $1,500 for one travel day prior to each meeting attended where travel is required out of province and $3,000 where travel is required out of country.

In December 1993 the Board of Directors approved the NOVA Director Share Purchase Plan for the directors of NOVA which is intended to align director compensation with shareholder interest. Directors may elect to participate in the plan. Participating directors may elect to have some or all of their retainer, attendance and travel fees (subject to a contribution of a minimum of 50% of the after withholding tax retainer fees) paid to a custodian at the end of each calendar quarter on behalf of each participating director. The custodian then purchases Common Shares in the open market. Directors are entitled to withdraw all or a portion of the Common Shares held in their account four times per year.

At the last annual meeting of the shareholders, shareholder approval was obtained to allow directors who are not full-time employees to be eligible to receive options under the Option Plan. Directors are granted options in amounts such that the market value of the underlying Common Shares is approximately equal to the director's annual retainer and meeting fees. Each director, other than the Chairman and Mr. Newall, received options to purchase 3,000 Common Shares in 1994 at a price of $10.875 per Common Share.

The Chairman of the Board was paid $200,000 by NOVA in 1994 as a consulting fee, payable to him in respect of his duties as Chairman.

CORPORATE GOVERNANCE

The Toronto Stock Exchange Committee on Corporate Governance in Canada recently issued a series of proposed guidelines for effective corporate governance (the "TSE Report"). The guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. To implement these guidelines, the TSE Report contains a recommendation to The Toronto Stock Exchange (the "Exchange") that the Exchange adopt as a listing requirement the disclosure by each listed corporation of its approach to corporate governance with reference to the proposed guidelines. This disclosure would be required annually, commencing with corporations with year ends of June 30, 1995. On February 23, 1995, the Board of Governors of the Exchange adopted the recommendation, subject to regulatory approval by the Ontario Securities Commission (the "OSC").

NOVA's Board of Directors and senior management consider good corporate governance to be central to the effective and efficient operation of Canadian corporations. While the Exchange's adoption of the recommendation has not yet been approved by the OSC, NOVA has prepared the recommended disclosure. The disclosure is set out in matrix form and attached to this Information Circular as Schedule "A".

The TSE Report paid a great deal of attention to the make-up and independence of corporate boards. An "unrelated" director, under the TSE Report, is a director who is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the corporation, other than interests arising from shareholding. In defining an unrelated director, the TSE Report placed emphasis on the ability of a director to exercise objective judgment, independent of management. The TSE Report also made an informal distinction between inside and outside directors. The TSE Report considers an inside director a director who is an officer or employee of the corporation or any of its affiliates.

On a rigorous application of these definitions, 15 of NOVA's 17 existing directors are both unrelated and outside directors and 13 of NOVA's 15 proposed directors are unrelated and outside directors. Mr. Newall (NOVA Vice Chairman and Chief Executive Officer) and Mr. Pierce (former NOVA officer and current consultant to NOVA and director and officer of NOVA subsidiaries) are the only two Board members who are related directors, and would also be considered inside directors.

SPECIAL BUSINESS

Future Compensation of the Chief Executive Officer

NOVA is seeking shareholder approval to retain the right to pay Mr. Newall in Common Shares. Approval of the share compensation arrangement requires an affirmative vote of a majority of votes of holders of Common Shares who, if entitled to do so, vote in person or by proxy on this matter at the Meeting other than votes attaching to Common Shares beneficially owned by Mr. Newall or his associates. As at March 3, 1995 Mr. Newall and his associates beneficially owned 219,638 Common Shares.

The rules of the stock exchanges on which the Common Shares are listed require or make it advisable that shareholder approval be obtained for compensation mechanisms which involve the potential issuance of shares to employees. Commencing January 1, 1996, and subject to shareholder approval, the Board of Directors of NOVA has determined that Mr. Newall's annual compensation will be arrived at during the course of his employment with NOVA in accordance with the following arrangement:

(a) Mr. Newall's aggregate annual compensation will be set by the Human Resources Committee (the "Committee"), subject to approval by the Board of Directors;

(b) The Committee is and will be comprised entirely of independent directors;

(c) To arrive at Mr. Newall's aggregate annual compensation, the Committee will negotiate with Mr. Newall and will take into account comparative remuneration data at comparator organizations, corporate performance and Mr. Newall's contribution to that performance and any other compensation policies in force at NOVA at that time; and

(d) The base and incentive component of Mr. Newall's compensation, aside from entitlement to stock option grants or other arrangements which may apply at the time, may be paid to Mr. Newall in cash, Common Shares or a combination thereof.

The number of Common Shares which may be issued to Mr. Newall pursuant to this arrangement shall not exceed 25,000 Common Shares per quarter, in respect of base compensation and 100,000 Common Shares per annum, in respect of incentive compensation. The aggregate number of Common Shares which may be issued to Mr. Newall under the arrangement shall not exceed 1,000,000 Common Shares. The arrangement with Mr. Newall will provide that in the event of subdivision, consolidation, reclassification or any other change in the Common Shares, any compensation Mr. Newall is to receive in Common Shares will be adjusted proportionately to prevent substantial dilution or enlargement of the rights granted to Mr. Newall. The arrangement will expire at the earlier of (i) its termination by the Committee, or (ii) 1,000,000 Common Shares having been issued to Mr. Newall pursuant to the arrangement. The number of Common Shares to be issued to Mr. Newall will be calculated based on the closing price of Common Shares on The Toronto Stock Exchange at the date Mr. Newall's base compensation or incentive compensation, as the case may be, is set by the Committee.

Mr. Newall has elected since January 1994 to accept his compensation in Common Shares. In 1994 Mr. Newall was, and in 1995 Mr. Newall will be, paid his base annual salary in the form of 17,000 Common Shares per quarter. Mr. Newall also received his management incentive payments for service in 1993 and 1994 in Common Shares. For 1994 this amounted to 72,100 Common Shares and for 1993, 36,800 Common Shares.

Amendment to Employee Incentive Stock Option Plan

The Option Plan is available to all full-time key employees of NOVA or its subsidiaries including officers and directors who are full-time employees of NOVA or its subsidiaries and employees of partnerships and joint ventures in which NOVA or its subsidiaries are participants. The Board may also grant options to directors of NOVA who are not full-time employees on such terms and conditions as may be determined by the Board, provided, however that all terms and conditions of the Option Plan shall apply to such option. Directors may be granted options in such amounts that the market value of the underlying Common Shares is approximately equal to the director's annual retainer and meeting fees.

The Option Plan currently provides that if an option holder ceases to be an employee, his or her options are subject to early termination as follows:

(a) In the case of death or permanent disability of the employee, the options vest immediately and the employee must exercise by the earlier of one year from the date of death or the normal expiration date;

(b) In the case of retirement, the options must be exercised by the earlier of ninety days from the date of retirement or the normal expiration date; and

(c) In the case of termination of employment for any other reason, the options must be exercised by the earlier of thirty days from the date of termination or the normal expiration date.

Currently, the Option Plan provides that the Human Resources Committee (the "Committee") may, in its discretion, waive the early termination provisions and determine a longer period in which an option will vest

and/or be exercised, provided any extension is not longer than the normal vesting period or normal expiration date. Any waiver will be, where required, subject to the approval of the appropriate regulatory authorities. NOVA is seeking shareholder approval for an amendment to the Option Plan to clarify that the Committee may use this discretion to waive early termination for both insiders and non-insiders of NOVA. Generally, the waiver provisions will be used to extend the exercise period for employees terminated without cause to the end of their severance periods or, subject to approval of the proposed amendments to the Option Plan, to extend the exercise period for retired employees for some reasonable period longer than ninety days. This is consistent with NOVA's practice in the past on waiver of early termination. The Option Plan will continue to provide that no extension will be longer than the normal vesting period or the normal expiration date.

The Option Plan was recently amended to provide that options may not be granted at an exercise price less than the Market Price, as defined in the Option Plan. This amendment is consistent with new stock exchange policies on share compensation and NOVA's long standing practice. Additionally, the new policies on share compensation adopted by some of the stock exchanges on which the Common Shares are listed required that the Option Plan must specify a maximum number of Common Shares to be issued under the Option Plan. Previously, the Option Plan provided that the number of Common Shares reserved for issuance could not exceed 10% of the number of Common Shares outstanding. The Option Plan was amended to set this number at 26,000,000 Common Shares, which is approximately 5% of the issued and outstanding Common Shares of NOVA on a fully diluted basis.

The rules of the stock exchanges on which Common Shares are listed require or make it advisable to obtain shareholder approval of certain amendments to the Option Plan. The Board of Directors has approved certain changes in the Option Plan which are consistent with competitive compensation practices and new policies on share compensation arrangements adopted by some of the stock exchanges on which Common Shares are listed.

Subject to shareholder approval, the Option Plan will be amended to provide that:

(a) Options will vest immediately upon death. The Option Plan will continue to provide that options must be exercised within 12 months of death or they will expire;

(b) The exercise period in the case of retirement will be extended from the 90 days currently provided in the Option Plan to the earlier of the normal expiration date and five years after retirement;

(c) Employees on permanent disability will be treated the same as other employees of NOVA in respect of past option grants; and

(d) The Committee's discretion to waive the early termination provisions under the Option Plan applies equally to insiders and non-insiders of NOVA.

Management believes that each of these amendments is consistent with competitive compensation practices.

These amendments to the Option Plan require approval by ordinary resolution, which is a resolution passed by the affirmative vote of a majority of the shareholders who vote in person or by proxy in respect of that resolution.

Amendment to the Restated Articles of Incorporation

The Restated Articles of Incorporation of NOVA currently provide that the number of directors is fixed at a minimum of 15 and a maximum of 20 directors. It is proposed to reduce the minimum number of directors from 15 to 12 directors. The Board of Directors continually reviews the contributions of its members and whether its size promotes effectiveness and efficiency. NOVA currently believes that a Board of 15 directors will permit the Board to carry out its duties efficiently and will facilitate effective decision making while presenting a diversity of views and experience. By reducing the minimum number of directors to 12, NOVA will have the flexibility to allow the Board to become smaller over time if this promotes effectiveness and efficiency.

At the Meeting shareholders will be asked to confirm by special resolution the above-noted amendment, the full text of which is set out in Schedule "B" to the Information Circular. A special resolution is a resolution passed by 66⅔% of the votes cast at the Meeting by shareholders who vote in person or by proxy in respect of that resolution.

APPOINTMENT OF AUDITORS

It is proposed that Ernst & Young, Chartered Accountants, be appointed to act as auditors of NOVA for the current year. Ernst & Young have served as auditors of NOVA since 1956. Representatives of Ernst & Young are expected to be present at the Meeting and will be given the opportunity to make a statement if they wish to do so. They will also be available to respond to appropriate questions.

SHAREHOLDER PROPOSALS

Shareholder proposals to be considered at the 1996 annual meeting of shareholders of NOVA must be received at the principal executive offices of NOVA no later than February 6, 1996 to be included in the information circular and form of proxy for such annual meeting.

CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

The contents and the sending of this Information Circular have been approved by the Board of Directors of NOVA.

By Order of the Board of Directors

(Signed) J. E. NEWALL, O.C. Vice Chairman and Chief Executive Officer	(Signed) A. T. POOLE Senior Vice President and Chief Financial Officer

March 27, 1995

SCHEDULE "A"

TSE Corporate Governance Committee Guideline	Does NOVA Align?	Comments
1. Board should explicitly assume responsibility for stewardship of the corporation, and specifically for:		
a. adoption of a strategic planning process	Yes	a.1 One Board meeting a year is set aside for a substantial strategic planning session. a.2 The Human Resources Committee and the Board review the written objectives of the senior executives and provide guidance for the development of corporate strategy.
b. identification of principal risks, and implementing risk-managing systems	Yes	b.1 The Board has specifically identified NOVA's principal risks. b.2 NOVA has established committees to implement and monitor systems put in place to address these risks. As an example, the Public Policy, Risk and Environment Committee played a role in establishing NOVA's environmental management system, and in cooperation with the Corporate Environmental Officer, monitors its operation.
c. succession planning and monitoring senior management	Yes	c.1 The Human Resources Committee reviews and reports to the Board on organizational structure and succession planning matters at least annually. c.2 The CEO has a written objective that makes succession planning a priority. c.3 The Human Resources Committee reviews and monitors executive development programs. c.4 NOVA uses the Self Management by Objectives ("SMBO") system to monitor the performance of senior management.
d. communications policy	Yes	d.1 The Board has put structures in place to ensure effective communication between NOVA, its stakeholders and the public. These structures include the Public Policy, Risk and Environment Committee. It has a mandate to review and advise the Board on policies and programs to create a strong, cohesive, sustained and positive image of the corporation for customers, shareholders, governments and the public.
e. integrity of internal control and management information systems	Yes	e.1 The Board has, through the appointment of various committees, put in place an effective system for monitoring the implementation of corporate strategies. Each of the following committees is responsible to review and advise the Board on implementation of corporate strategy in the noted areas: — Human Resources: employment and remuneration — Public Policy, Risk and Environment: environmental and health and safety compliance — Audit and Finance: compliance of financial reporting with accounting principles and oversight of all financing plans — Corporate Governance: Determining Board agendas and priorities and proposing Board and Board Committee membership to the full board and oversight of the effectiveness of management's interaction with and responsiveness to the Board.
2. Majority of directors should be "unrelated" (free from conflicting interest)	Yes	J. E. Newall (CEO) and R. L. Pierce (former officer of NOVA) are the only Board members who are related.

TSE Corporate Governance Committee Guideline	Does NOVA Align?	Comments
3. Disclose for each director whether he or she is related, and how that conclusion was reached	Yes	J. E. Newall — Related — is Vice Chairman and CEO of NOVA. R. L. Pierce — Related — is former officer of NOVA — is current director and officer of NOVA subsidiaries — is a consultant to NOVA. R. F. Haskayne — Unrelated — is non-executive Chairman of the Board — no former affiliations with NOVA, other than a consultancy which is no longer in place — is paid a yearly fee in respect of his duties as Chairman. For the remainder of the proposed directors, none of them or their associates have: — worked for NOVA — material contracts with NOVA — received remuneration from NOVA in excess of directors' fees. F. P. Boer — Unrelated R. B. Coleman — Unrelated Sir J. G. Day — Unrelated J. J. Healy — Unrelated H. N. Hotchkiss — Unrelated W. N. Kissick — Unrelated J. M. MacLeod — Unrelated H. P. Milavsky — Unrelated N. Pappas — Unrelated J. G. Rennie — Unrelated C. E. Ritchie — Unrelated A. Wexler — Unrelated
4. a. Appoint a Committee responsible for appointment/assessment of directors	Yes	a.1 The Corporate Governance Committee has the mandate to: — recommend candidates for the Board — annually review credentials of nominees for re-election — recommend candidates for filling vacancies on the Board — ensure qualifications are maintained. a.2 A periodic directors' survey acts as assessment by each director to ensure issues of corporate governance are raised to management.
b. Composed exclusively of non-management directors, the majority of whom are unrelated	Yes	
5. Implement a process for assessing the effectiveness of the Board, its Committees and individual directors	Yes	The Corporate Governance Committee is mandated to: — monitor the quality of the relationship between management and the Board and recommend improvements — the directors complete surveys which deal with the effectiveness of Board operation and act as an informal assessment.
6. Provide orientation and education programs for new directors	Yes	The Corporate Secretary and Secretary to the Board prepare a "Director's Manual" for new and existing directors, which is updated from time to time. New Board members receive a director's orientation. The Corporate Governance Committee annually recommends to the Board a broad list of topics for discussion. These topics often have a continuing education theme. Recent presentations have been given to the Board on directors' duties and environmental responsibility. Board meetings are held at plant sites from time to time, to give the directors additional insight into NOVA's business.

TSE Corporate Governance Committee Guideline	Does NOVA Align?	Comments
7. Consider reducing size of Board, with a view to improving effectiveness	Yes (17 current directors, 15 proposed directors)	A board must have enough directors to carry out its duties efficiently, while presenting a diversity of views and experience. NOVA has a number of distinct businesses, some international. This defines the current number of directors. The Board reviews the contributions of the directors, and considers whether the current size of the Board promotes effectiveness and efficiency. The Board believes it does.
8. Review compensation of directors in light of risks and responsibilities	Yes	The Corporate Governance Committee is mandated to review and recommend to the Board for approval the remuneration of directors. The Committee considers time commitment, comparative fees and responsibilities in determining remuneration.
9. a. Committees should generally be composed of non-management directors; and	Yes	NOVA committees are composed solely of non-management directors.
b. Majority of Committee members should be unrelated	Yes	
10. Appoint a Committee responsible for approach to corporate governance issues	Yes	The Corporate Governance Committee is generally mandated to be responsible for the Board governance of NOVA. Included in its mandate is the responsibility to: — review the mandates of the Board's committees and recommend changes — recommend allocation of directors to the various committees — undertake "such other initiatives as are needed to help the Board deliver exemplary corporate governance".
11. a. Define limits to management's responsibilities by developing mandates for:		
(i) the Board	No	There is no specific mandate for the Board, since the Board has plenary power. Any responsibility which is not delegated to senior management or a Board committee remains with the full Board.
(ii) the CEO	Yes	The CEO's written objectives constitute a mandate on a year to year basis. These objectives include the general mandate to maximize shareholder value.
b. Board should approve CEO's corporate objectives	Yes	The Human Resources Committee approves the CEO's written objectives on an annual basis which are reviewed by the full Board.
12. Establish procedures to enable the Board to function independently of management	Yes	One of the CEO's written objectives is to improve quality of interaction between management and the Board. The Board meets independently of management where needed. The Corporate Governance Committee ensures that the Board functions independently of management. It is chaired by the non-executive Chairman of the Board.
13. a. Establish an Audit Committee with a specifically defined mandate	Yes	a.1 NOVA's Audit and Finance Committee is generally mandated to: — monitor audit functions and the preparation of financial statements — approve press releases on financial results — review all prospectuses, material change reports and the annual information circular — meet with the outside auditors independently of management — review and approve foreign currency risk strategies — oversee the funding and administration of NOVA's pension plans.
b. all members should be non-management directors	Yes	
14. Implement a system to enable individual directors to engage outside advisers, at corporation's expense	Yes	Individual directors can engage outside advisers with the authorization of the Chairman of the Committee.

SCHEDULE "B"

RESOLUTION AMENDING THE RESTATED ARTICLES OF INCORPORATION

BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE HOLDERS OF COMMON SHARES OF NOVA CORPORATION ("NOVA") THAT:

1. the Restated Articles of Incorporation of NOVA be amended by deleting item number 5 in its entirety and replacing it with the following:

   "the number of directors is fixed at a minimum of twelve and a maximum of twenty."

2. the Board of Directors and proper officers of NOVA be authorized to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution; and

3. the Board of Directors of NOVA may in their discretion revoke this special resolution before it is implemented, without further notice to, or approval of the shareholders.

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AR17

focused **vision**

+

excellence in **implementation**

=

sustained **growth**

NOVA Corporation 1995 annual report

focused vision: to be the best natural gas services and petrochemicals company – integrated, worldwide.

excellence in implementation: to be focused solely on sectors within gas services and petrochemicals where we can be the leader; to be the low-cost provider of every product and service we offer; to build the skills and environment that enable all of our employees to reach their full potential and to deliver well above average growth in shareholder value.

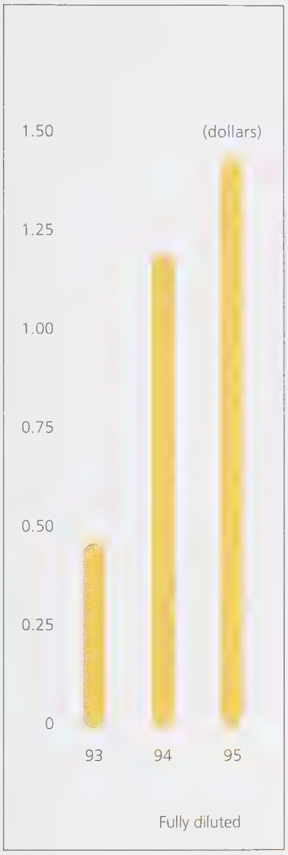
sustained growth: to deliver superior value to all our customers; to have the financial strength to take advantage of acquisition opportunities in our business sectors; to deliver positive results at the bottom of the business cycle; and to create lasting partnerships with leading companies in each of our markets.

the results

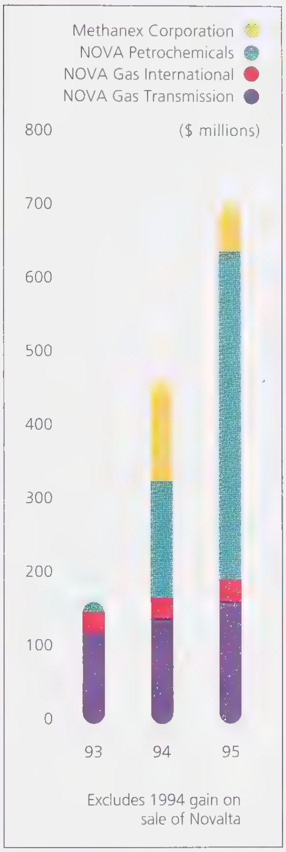
1995 FINANCIAL HIGHLIGHTS

Shareholders are invited to attend NOVA's annual and special meeting on Thursday, April 18, 1996, 10:30 a.m., at the Calgary Convention Centre, Calgary, Alberta.

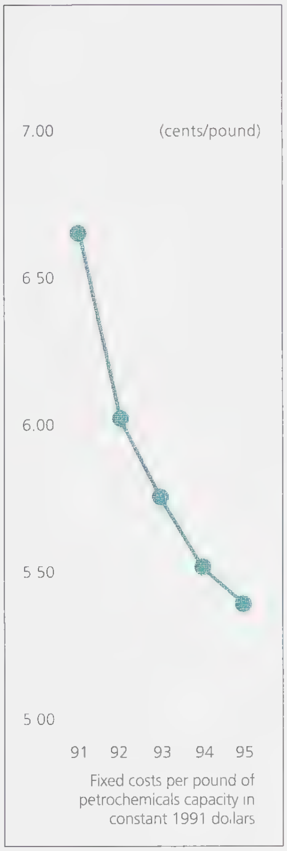
growth in earnings per share



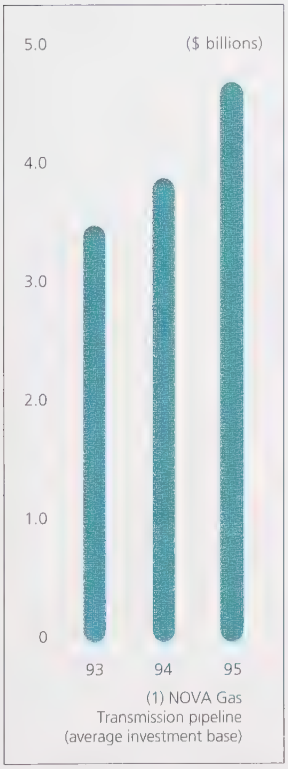
growth in business earnings



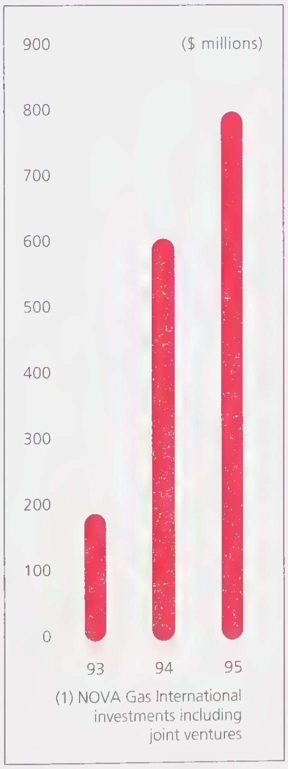
improvement in low-cost position



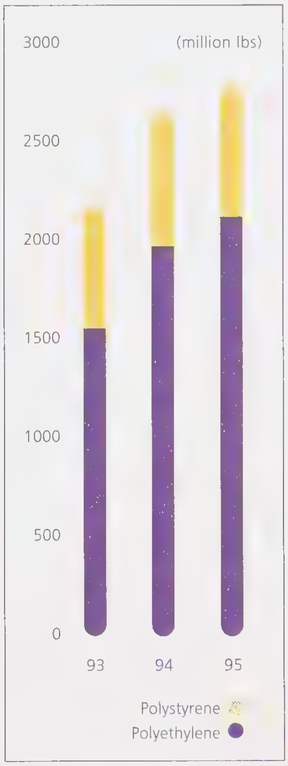
growth in NGTL(1) investment



growth in international(1) investments



growth in petrochemicals production



This year, we remained focused on our **vision**, generating momentum through the unremitting pursuit of excellence in the **implementation** of our strategy in all our businesses. Our reward was substantial **growth** in all aspects of our business and a growing reputation among our customers for top-quality, low-cost products and services.

Corporate

NOVA had outstanding financial results in 1995 with a record net income of $702 million, exceeding last year's record by 22%.

NOVA's continuing growth is shown by our total earnings in the last three years of $1.4 billion. That is almost double that of the previous three-year record high of $718 million, for the period 1987 to 1989.

NOVA's balance sheet is very strong with a total of $3.8 billion in shareholders' equity, compared with $1.5 billion at the beginning of 1992. Excess cash flow from earnings generated by the petrochemicals business was used to cut NOVA's year-end non-regulated debt ratio almost in half — from 32% of capital in 1994 to 17% in 1995.

Every one of NOVA's operations completed a major program of significantly simplifying their business processes and improving their customer responsiveness, while raising productivity and reducing costs.

To counteract the effects of re-engineering on employees, NOVA created a highly innovative Employment Transition and Continuity program. The program helps employees make decisions about their future. As a result, the majority of employees who left NOVA did so voluntarily, and sample surveys indicate that almost all felt they had been treated fairly.

A major disappointment was the very sharp decline in chemical prices during the course of the year. As a result the near term will be challenging.

Several major acquisition opportunities were examined during the year, but were rejected because asset prices were unacceptably high. However, industry conditions may create a favorable climate for strategic acquisitions during 1996 and 1997.

NOVA's Petrochemicals Business

Our petrochemicals business set new records for safety performance, placing us among industry leaders in North America. Improved safety management processes, developed by our petrochemicals business, are being adopted by all of NOVA.

Our petrochemicals business achieved record net earnings of $508 million, up 23% from 1994, as a result of higher average petrochemical prices in the first half of the year. Our after-tax earnings on capital employed were 22%.

Strong cash flow and a healthy balance sheet allowed one of our Canadian petrochemicals companies to obtain an investment grade credit rating, and to issue U.S. $350 million of term debt in U.S. markets.

Excellent progress was made in implementing our styrenics and olefins/polyolefins low-cost expansion strategies. In the last two years, NOVA's polyethylene capacity has increased from 1.6 billion pounds to 2.5 billion pounds and our polystyrene capacity has grown from 630 million pounds to 743 million pounds.

Our new $20 million SCLAIRTECH™ pilot plant near Sarnia, Ontario, began operations during the year. Progress in developing new SCLAIR® technology is advancing rapidly.

Results for Methanex (24.8% NOVA-owned) were highly satisfactory despite the sharp decline in methanol prices in the second half of the year. Methanex attained a 16% after-tax return on its capital employed for the year.

Methanex achieved an 8% increase in production volumes, reduced its cash costs and delivered a strong balance sheet. During the year, it further strengthened its position as the world's leading methanol producer by expanding production capabilities at a plant in New Zealand.

NOVA Gas Transmission

For the fourth successive year, NOVA Gas Transmission Ltd. (NGTL) improved its customer satisfaction ratings, a key business priority.

NGTL has an ongoing process aimed at transforming and simplifying its business processes. While continuing to expand its Alberta pipeline system, NGTL's objective is to reduce controllable fixed costs significantly to minimize increases in transportation charges to customers.

For the ninth consecutive year, NGTL delivered record volumes by shipping 4.3 trillion cubic feet of natural gas — up 5% from 1994.

During a major outage downstream from NGTL's system, NGTL's gas control employees safely shut down almost one-half of the total daily natural gas volume transported in Alberta in less than four hours, to prevent over-pressuring of the NGTL system. Our operating systems and people responded superbly to this major test.

In 1995, for the first time, NGTL became regulated under the provisions of Alberta's Gas Utilities Act. After a comprehensive public hearing, the Alberta Energy and Utilities Board set NGTL's common equity component at 32% and the 1995 rate of return at 11.5%.

NOVA Gas International

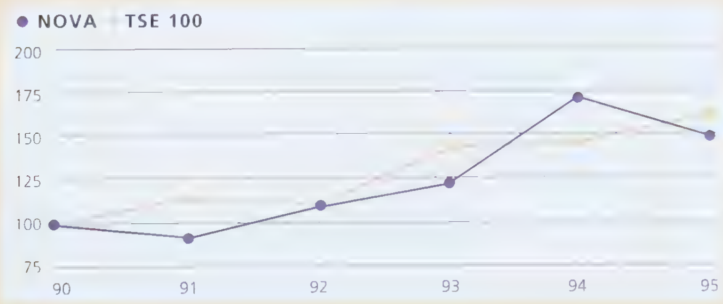
NOVA Gas International's (NGI) growth in North American gas services was significantly enhanced with the formation of NGC Corporation (NGC). Created through the combination of Natural Gas Clearinghouse and Trident NGL Holding, Inc., NGC is a leading gatherer, processor, transporter and marketer of energy products and services in the United States. The company is poised to strengthen this position. It has entered into exclusive negotiations with Chevron Corporation to combine Chevron's gas gathering, processing and marketing operations with NGC.

We significantly expanded our participation in the marketing of Canadian natural gas through Novagas Clearinghouse Limited Partnership (NCL). NCL offers Western Canadian producers a variety of gas services including gathering, processing, transmission, storage and marketing.

NGI continued to pursue new consulting assignments in select areas worldwide. In early 1996, together with OGP Technical Services Sdn. Bhd., NGI won a major pipeline consulting project in Thailand.

NOVA, with its Argentine and Chilean partners, has won approval to proceed with the GasAndes pipeline to transport natural gas from Argentina to Santiago, Chile. NOVA's investment in the total project includes the pipeline, gas-fired power generation and a local natural gas distribution system. Construction on the 289-mile (465-kilometre) pipeline is under way.

total return performance*



*Total Return = Appreciation in share value, assuming reinvestment of dividends
Assumes $100 invested on December 31, 1990, in NOVA shares and the TSE 100
NOVA's December 31, 1995 closing share price on the TSE was $11.00

integrated natural gas services and petrochemicals company

For NOVA Corporation, 1995 was a year of exceptional progress in fulfilling our vision: to be the best natural gas services and petrochemicals company — integrated, worldwide. Our strategy is to focus totally on sectors within our chosen industries where we are convinced we can become a leader, notably in being the lowest-cost, quality provider of the products and services we offer.

NOVA's 1995 net income exceeded 1994's record by 22%. Our 1995 cash flow from operations reached a new high, $1.2 billion.

Our shareholders' equity at year-end 1995 was $3.8 billion, representing a gain of $1.7 billion over the last three years. Our balance sheet is very strong.

Our achievements in executing NOVA's vision and strategy in 1995 can be summarized under several broad themes. They include:
→ operations excellence;
→ integration;
→ people leadership;
→ quality growth;
→ business partnerships; and
→ shareholder value.

Operations Excellence

When we say NOVA is to be "the best," we mean we must achieve high levels of customer satisfaction. Being "the best" means we must reduce costs and raise our productivity to industry-leading levels. And it means we must invest in the education and training of our employees, to help them develop their full capabilities. In 1995, for the fourth consecutive year, we achieved solid progress in each of these areas.

Integration

NOVA Corporation is more than a group of related businesses sharing a common name. It is an integrated operating company, its businesses sharing a common vision and principles. Each of our businesses adds value to natural gas and other hydrocarbons. Each is technology-intensive.

We pride ourselves on sharing knowledge throughout the organization, using clear principles in our leadership processes and practices. Company-wide teams are committed to developing industry-leading best practices for sharing throughout NOVA. And each business can reach into the organization, drawing on our combined strengths according to its needs.

To cite just one example of the benefits of integration, dozens of employees from across NOVA are contributing their wide range of skills to our new gas services business in Argentina and Chile. Yet integrated though we are, it is a cardinal principle at NOVA that execution of strategy and day-to-day operations are fully decentralized into our businesses.

People Leadership

NOVA's self-motivated teams of employees are consistently striving to exceed our customers' expectations. This past year was a rewarding but difficult year for them.

During 1995, each unit of NOVA completed a comprehensive review of its business processes, simplifying them to improve customer service, to reduce costs and to raise productivity. As might be expected during this process, some of our people experienced job insecurity and stress.

Hundreds of NOVA employees moved into new jobs. Approximately 700 employees left the company, the majority of them voluntarily. These departing employees have been highly valued by NOVA, and their departures were supported by an innovative and comprehensive employment transition program.

In independent surveys with the people leaving the company, almost all said they felt they were fairly treated by NOVA.

Our efforts to design and deliver a progressive transition program to meet employees' needs has delivered two important business results: we have managed to maintain morale and commitment among the employees continuing with us; and we have sustained NOVA's business momentum. This is a rare accomplishment in the 1990s.

Our employees delivered outstanding results in 1995. One clear example is in the critical area of safety, health and environmental protection. The performance of our employees has led to NOVA's businesses being ranked among the leaders in safety, health and environmental protection in North America.

Quality Growth

Our businesses are positioned in growth sectors of their respective industries. Each has delivered excellent growth over the last two years.

NOVA's petrochemicals business has grown through substantial, very low-cost expansions of existing facilities. Indeed, it was an exceptional year as we recorded a most satisfactory net return of 22% on capital invested. During 1995, we also prepared the groundwork for some major petrochemical growth prospects in the near future.

(right)
J.E. (Ted) Newall
Vice Chairman and
Chief Executive Officer

(above right)
Richard Haskayne
Chairman

NOVA Gas Transmission has more than doubled its investment base over the past five years. Continuing rapid development in the prolific Western Canada Sedimentary Basin promises significant growth for many years to come.

NOVA Gas International has carved out an important position in the natural gas services industry in Argentina and Chile through our Transportadora de Gas del Norte and GasAndes investments. NGC, our U.S. affiliate was created through the successful combination of Trident NGL Holding, Inc. and Natural Gas Clearinghouse. NGC has announced its intent to combine its midstream natural gas assets with those of Chevron Corporation to become a major U.S. energy marketer. Novagas Clearinghouse Limited Partnership, our joint venture with NGC, substantially expanded its participation in the unregulated natural gas services market in Canada. We see excellent prospects for continuing growth in gas services in Canada, in the United States and internationally.

Business Partnerships

Canadians may view NOVA as a large company, but compared with our major international competitors, we are in truth a small company competing in a world of giants. One of our key strategies for extending our reach is to partner with other leading companies and to build close, lasting relationships with them.

During 1995, we cemented close working partnerships with leading companies in Argentina and Chile. The strong support of our partners has been a major factor in the progress we have achieved to date in the GasAndes pipeline project.

Shareholder Value

NOVA is determined to deliver well above average returns for its shareholders. As shown on the graph on page 3, we have come close to achieving this objective over the four years preceding 1995. In 1995, however, our share price lost ground as investors anticipated lower petrochemical prices. We are confident that the steps we have taken to improve and grow our businesses will help us regain ground. In February 1996, the NOVA Board approved a financial initiative aimed at enhancing shareholder value. We have announced our intention to seek approval from the Toronto Stock Exchange to commence an open market share purchase program under which NOVA may purchase up to 5% of its common shares.

(left to right)
A. Terry Poole
ior Vice President and
Chief Financial Officer

Kent Jespersen
President, NOVA Gas
International Ltd

Jeffrey M. Lipton
President

Sheila H. O'Brien
Senior Vice President,
Human Resources

Dan W. Boivin
President and
Chief Operating Officer,
Novacor Chemicals Ltd

Our employees continue to deliver exceptional results, while simultaneously renewing and building a much stronger NOVA. Our teams of people rank with the best in their industries, and we know they are poised to deliver even greater excellence. We are indebted to them for their superb performance and we thank them for it.

Looking ahead, we expect to continue to deliver high-quality growth in each of NOVA's businesses. This growth, combined with continuing improvements in our operations provides the basis for solid improvement in earnings over the next three to five years. In the near term, however, we anticipate that lower petrochemicals and plastics prices will reduce our 1996 results when compared with the cyclic peak year of 1995.

There are many challenges for all of us in 1996, but our outstanding team is prepared and determined to excel for our customers, our host communities, and our investors.

(top)
Jack S. Mustoe
Senior Vice President,
General Counsel and
Corporate Environmental Officer

(below)
Bruce W. Simpson
President and Chief Operating
Officer, NOVA Gas Transmission Ltd

Richard F. Haskayne
Chairman

J.E. (Ted) Newall, O.C.
Vice Chairman and Chief Executive Officer

Jeffrey M. Lipton
President

NOVA's Integrated Natural Gas Value Chain

NOVA Corporation is an integrated operating company sharing best-practices and knowledge across all of our businesses. Our beginnings were in natural gas transportation. Our future is in adding value to hydrocarbons in energy-producing regions worldwide, by taking full advantage of the opportunities available across the natural gas value chain.

NOVA GAS TRANSMISSION LTD.

NOVA Gas Transmission Ltd. (NGTL) is one of North America's largest transporters of natural gas, moving 4.3 trillion cubic feet of natural gas in 1995. This growing pipeline is one of the world's most technologically advanced natural gas transmission systems. NGTL is working cooperatively with producers and sees its role as helping to make the Western Canada Sedimentary Basin the supply basin of choice for North American consumers of natural gas. This basin is among the least-explored and most rapidly expanding conventional natural gas producing basins in North America.

NOVA GAS INTERNATIONAL

NOVA Gas International (NGI) has more than 22 years of experience in global natural gas services, participating in more than 300 consulting projects in over 50 countries. The company is focused on being the best natural gas gathering, processing and marketing company in five key regions: Canada, the United States, Mexico, Asia Pacific and the Southern Cone countries of South America. Three affiliates broaden NGI's reach in marketing its natural gas services expertise in North America. They are NGC Corporation, Novagas Clearinghouse Limited Partnership and Foothills Pipe Lines Ltd.

NOVA's PETROCHEMICALS BUSINESS

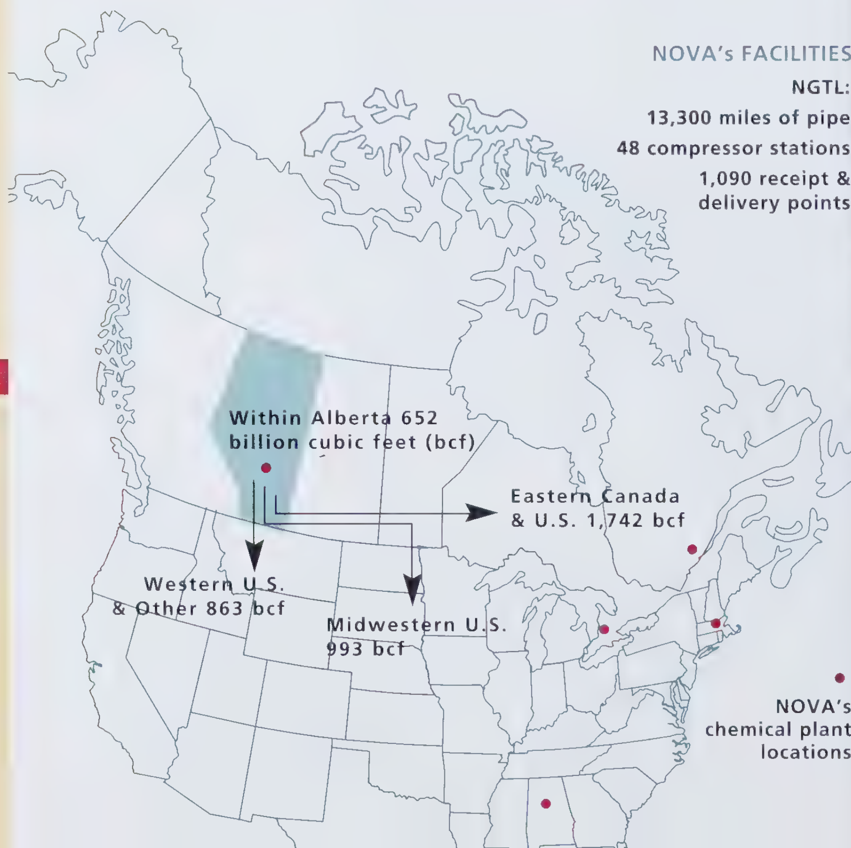
NOVA's petrochemicals business is Canada's largest. We are North America's second largest and lowest-cost producer of ethylene, fifth largest and lowest-cost producer of polyethylene and fourth largest producer of polystyrene. NOVA is among the world's lowest-cost producers of petrochemicals products. In addition, NOVA owns a 24.8% interest in Methanex Corporation, the largest and one of the lowest-cost methanol producers and marketers in the world.

NGC CORPORATION

33.3% NOVA-owned
REVENUES: U.S. $3.7 billion
TOTAL ASSETS: U.S. $1.9 billion
NET INCOME: U.S. $47 million
GAS MARKETED PER DAY: 3.5 billion cubic feet (bcf)
NATURAL GAS LIQUIDS (NGL) FRACTIONATION FACILITIES: 3
BARRELS OF NGL STORAGE: 15.5 million
GAS PROCESSING PLANTS: 36
MILES OF PIPELINE: 10,000 (16,090 kilometres) primarily gathering lines

NOVAGAS CLEARINGHOUSE LIMITED PARTNERSHIP

50.01% NOVA-owned; additional indirect 16.65% interest held via our NGC Corporation investment
REVENUES: $1.3 billion
TOTAL ASSETS: $344 million
NET INCOME: $10 million
GAS MARKETED PER DAY: 3 bcf
MILES OF PIPELINE: 35 (56 kilometres)
GAS PROCESSING PLANTS: 2
GAS PROCESSING FACILITIES UNDER CONSTRUCTION: 2



transmission

upgrading

NOVA GAS TRANSMISSION LTD.

100% NOVA-owned
REVENUES: $1.1 billion
AVERAGE INVESTMENT BASE: $4.7 billion
CAPITAL EXPENDITURES: $584 million
NET INCOME: $166 million
EMPLOYEES: 2,740
MILES OF PIPELINE: 13,300 (21,400 kilometres)
COMPRESSOR STATIONS: 48
RECEIPT AND DELIVERY POINTS: 927 and 163
GAS VOLUMES DELIVERED IN 1995: 4.3 tcf
AVERAGE GAS DELIVERIES: 11.6 bcf/day
TRANSPORTS about 80% of Canadian natural gas production, equivalent to 15% of all natural gas produced in North America

FOOTHILLS PIPE LINES LTD.

50% NOVA-owned
REVENUES: $166 million
CAPITAL EXPENDITURES: $26 million
NET INCOME: $36 million
EMPLOYEES: 69
MILES OF PIPELINE: 576 (927 kilometres)
AVERAGE GAS DELIVERIES: 2.5 bcf/day
TRANSPORTS approximately one-third of Canada's gas destined for export to U.S. markets

GASODUCTO GASANDES S.A.

56.5% NOVA-owned
ESTIMATED COST: U.S. $350 million
EXPECTED MILES OF PIPELINE: 289 (465 kilometres)
EXPECTED CAPACITY: 350 million cubic feet/day by the year 2001
EXPECTED ON-STREAM: mid-1997
LOCATION: La Mora, Argentina to Santiago, Chile

TRANSPORTADORA DE GAS DEL NORTE

14.4% NOVA-owned
MILES OF PIPELINE: 2,710 (4,370 kilometres)
AVERAGE GAS DELIVERIES: 0.8 bcf/day
LOCATION: Argentina

EAST AUSTRALIAN PIPELINE LIMITED

25% NOVA-owned
MILES OF PIPELINE: 1,200 (1,935 kilometres)
AVERAGE GAS DELIVERIES: 255 million cubic feet/day
LOCATION: Moomba Field to Sydney, Australia

NOVA's PETROCHEMICALS BUSINESS

100% NOVA-owned
REVENUES: $3 billion
CAPITAL EXPENDITURES: $136 million
NET INCOME: $508 million
EMPLOYEES: 2,848
PLANTS: Ontario, 4; Alberta, 3; Massachusetts, 1; Alabama, 1; and Quebec, 1

ethylene capacity 4.9 billion lbs.	polyethylene, ethylene glycol, ethylene oxide, styrene
polyethylene capacity 2.5 billion lbs.	plastic bags, pipe, drums, toys, film
styrene capacity 1.0 billion lbs.	polystyrene, acrylonitrile butadiene, ABS
polystyrene capacity 743 million lbs.	food packaging, video and audio components, medical wares
co-products production 4.2 billion lbs.	propylene, butadiene/butylenes, C5 dienes, C9 resin oil and aromatics

METHANEX CORPORATION

24.8% NOVA-owned
REVENUES: U.S. $1.2 billion
OPERATING INCOME: U.S. $303 million
CAPITAL EXPENDITURES: U.S. $182 million
NET INCOME: U.S. $200 million
EMPLOYEES: 864
PLANTS: Canada, 2; New Zealand, 2; Chile, 1; U.S., 1
EXPECTED CAPACITY IN 1996: 1.7 billion gallons

methanol capacity 1.7 billion gals.	formaldehyde, methyl tertiary butyl ether (MTBE), acetic acid

GASANDES

In addition to its interest in the gas transmissi pipeline that will move gas from Argentina to Chile, NGI also has a 15% interest in Santiago's first proposed gas-fired po generation plan 10% stake in Sar proposed expanded natural gas distribut system

CONSULTING

NGI provides engineerin and project execution services to natural gas and petrochemicals industries worldwide NGI is currently providing consulting expertise in the following countries China, Indonesia, Malaysia, Mexico, Pakistan and Thailand

company

Our strategies in petrochemicals are focused on being the lowest-cost producer of all products we manufacture.

Since 1993, a small team of employees from Leominster has been working on an innovative project with the Boston public schools and Wentworth Institute of Technology to address the growing problem of waste in the city's school system, and to respond to the need for jobs for students with disabilities. This team focused on collecting polystyrene food service products from the schools and processing them into resin for use in food service applications. In 1995, the team received approval from NOVA to operate on a small-scale commercial basis, making the recycling program economically sustainable. (Left to right), David Allen, Lynne Sinal, Bill Morse, Mark Lesky and Shelly Martel

NOVA's PETROCHEMICALS OUTLOOK

During the past 10 years, petrochemicals consumption has grown at a rate nearly twice that of the North American economy. NOVA's polyethylene production has grown at a compound rate of 12% which is 2.4 times that of the industry. This internal growth places NOVA in a favorable position to take advantage of the steady growth rate in the petrochemicals market.

Focusing on Low-cost Production

In the latter half of 1995, petrochemicals prices fell sharply and industry opinion remains divided on whether North American and international economic growth will lead to an improved pricing environment during 1996. Nevertheless, our petrochemicals business will continue to manage operations to optimize results regardless of market changes. We will strengthen our low-cost leadership position in each of our petrochemicals operations, and we will operate only in businesses where we can be the low-cost provider.

Our business simplification programs have streamlined operations and significantly reduced our cost structure. These programs are on target and are generating pre-tax cash flow improvements of approximately $130 million, annually. Implementation of an integrated information system to sustain re-engineering benefits will be completed by the end of 1996.

The petrochemicals business will pursue only those opportunities where it has scale and significant cost advantages. Consistent with this strategy, we intend to build on our very low costs at Joffre, Alberta, by substantially expanding our production there.

Internationally, our strategy is to take our technology and know-how to partners who have access to low-cost feedstock. We have made a proposal to build an ethylene/ polyethylene complex in partnership with the Abu Dhabi National Oil Company. If we are successful, we will operate one of the plants at the facility using our SCLAIRTECH polyethylene technology, and market the polyethylene primarily in the Middle East and Asia.

NOVA's affiliate, Methanex Corporation (24.8% NOVA-owned) invested U.S. $106 million in 1995 and expects to invest an additional U.S. $170 million in 1996 to more than double methanol production at its Cape Horn facility in Chile. This expansion will increase the worldwide methanol production capacity of

Methanex from 1.7 billion U.S. gallons to 2.0 billion U.S. gallons, and enhance its position as the world's largest and one of the lowest-cost producers and marketers of methanol.

Managing our Technology

Technology plays a key role in NOVA's petrochemicals strategy. In 1996, we will continue our active research and development of new technology and apply it, along with acquired and existing technology, to advance our business efficiently and economically. The next generation of SCLAIRTECH polyethylene process technology is well advanced at our new pilot plant near Sarnia, Ontario, which commenced operations late in 1995. In 1996, the pilot plant will be evaluating leading-edge process and product technology, capable of using metallocene and other catalysts for production of specialized polyethylene products.

Management Discussion and Analysis

In 1995, this gas control team quickly, safely and effectively shut in half the daily gas volume transported in Alberta, following a major incident downstream from NGTL's system. This was one of the largest shutdowns of gas flow on the NGTL system in the pipeline's 41-year history. (Left to right), Darro Rakuson, Gary Harrison, Bob Blattler, Mel Paul and Gary Edwards. (Centre), Ron MacNaughton.

Our Alberta pipeline system will continue to build on our record of excellence.

NOVA GAS TRANSMISSION OUTLOOK

Canada consumes about 2.5 trillion cubic feet of natural gas per year, and according to a 1995 study by the Canadian Energy Research Institute, that amount could grow to three trillion cubic feet by the year 2010. NOVA's Alberta natural gas pipeline system, NOVA Gas Transmission Ltd. (NGTL), is well-positioned to benefit from this growing demand. The physical pipeline infrastructure, or investment base, grew to $4.7 billion by the end of 1995 — double what it was in 1990.

Customer-driven capital investment for 1996 is estimated to be $400 million. Higher levels of investment are anticipated for 1997 and 1998, provided natural gas market conditions improve. Pipeline growth continues to be concentrated in northwestern Alberta where producers are bringing on supply as a result of successful exploration.

To attain NGTL's objective of helping make the Western Canada Sedimentary Basin become the energy supply basin of choice for North Americans, NGTL will concentrate on four business priorities over the next three years.

Reducing Costs

Continuous cost reductions are targeted through standardization of engineering designs for facilities, consolidation of construction contracts, improvements in inventory management, simplification of business processes and increased efficiencies in system maintenance. Our goal is to ensure that we enhance our customers' competitiveness by offering low-cost transportation service.

Providing Innovative Customer Service

Being the lowest-cost, most effective transporter is both the fundamental challenge and most critical objective for the pipeline. In the last year, several producer groups have initiated feasibility studies on building competing pipeline systems. Initial steps towards deregulation of U.S. electrical utilities also promise to add to the competitive mix of the energy market. NGTL will continue implementing re-engineered processes to improve the speed and efficiency of operations and to provide high-quality, low-cost innovations in customer service.

Creating Opportunity Through the New Regulatory Process

In 1995, NGTL became regulated under the Gas Utilities Act (Alberta), and filed its first General Rate Application (GRA) with the Alberta Energy and Utilities Board (EUB). The new tolling system is based on forecasted costs, rather than on the previous cost-of-service methodology that provided for the recovery of actual costs incurred. The EUB's decision on the first phase of NGTL's 1995 GRA has created the

opportunity for NGTL and its customers to reach negotiated agreements on a number of regulatory issues without resorting to an expensive hearing process.

The second phase of the 1995 regulatory hearing was completed in January 1996. In Phase II, the EUB addressed NGTL's current rate design, service offerings and terms and conditions of service for 1996.

NGTL intends to file its 1996 GRA in the first quarter of 1996. Pending a further order of the EUB, the 1995 rates remain in effect.

In the future, NGTL hopes to work with the EUB, producers and connecting pipelines to develop a performance-based revenue system. If implemented, this system is expected to simplify and reduce the costs of the regulatory process. It would also reward responsiveness to customers' needs and help NGTL build partnerships within the industry

Enhancing Individual Performance

NGTL recognizes the outstanding contribution of its employees. We are making extensive investments in the training and development of our people to enable them to develop their full capabilities and contribute to the continued success of NGTL.

Our natural gas services business in North America will continue to be driven by rising demand for our products and services. Internationally, a pronounced trend toward strengthening of infrastructures will continue to present significant opportunities for us.

NOVA GAS INTERNATIONAL OUTLOOK

NOVA Gas International (NGI) is a rapidly growing global natural gas services business. The business is well-positioned to benefit from the worldwide growth in the demand for natural gas and natural gas-fired electrical power generation. NGI's goal is to create a third major earnings stream for NOVA by the end of the decade.

North American Growth Through Business Combinations

NGI's development strategy emphasizes creating superior value through low-cost development and operations. The low-cost objective is a critical factor used when analysing potential projects, the financing and construction cost of those projects and their operations.

This objective was an important element in the successful combination of Trident NGL Holding, Inc. and Natural Gas Clearinghouse to form NGC Corporation (NGC). The new NGC reduced its costs, thereby improving NGC's competitiveness in the gas services sector. The low-cost objective is also a key element of the proposed combination of NGC and Chevron Corporation's natural gas marketing and gas liquids businesses. This combination is expected to make NGC the largest natural gas marketer and natural gas liquids processor and marketer in the United States. It will also enhance NGC's stake in marketing electrical power in the United States. Completion of negotiations is targeted for the second quarter of 1996.

In Canada, NGI's natural gas services business is conducted by Novagas Clearinghouse Limited Partnership (NCL) and Foothills Pipe Lines Ltd. (Foothills). NCL has experienced rapid growth in marketing, gathering and gas processing since its start-up in January 1994.

Foothills is a transmission system dedicated to moving natural gas from Alberta to other pipelines serving U.S. markets in the Midwest, the Pacific Northwest and California. Foothills has announced plans to expand its system by 1998 to move an additional 700 million cubic feet per day to the U.S. Midwest in conjunction with the expansion of the Northern Border system, which serves the U.S. market.

International Relations Key to Long-term Success

Internationally, NGI continues to leverage expertise and relationships built through more than 22 years of natural gas consulting. NGI's primary areas of focus outside Canada and the United States are the Southern Cone of South America, Mexico and the Asia Pacific region.

Natural gas from Argentina is well-positioned to fuel the fast-growing economies of South America.

NOVA Gas International is very conscious of its responsibilities as a corporate citizen worldwide. In Chile, we build relationships through the sponsorship of community events. (Left to right), Norm Caldron, a Chilean working with NOVA's GasAndes land group, Rene Sterguer, a winner at the NOVA-sponsored San Jose de Maito rodeo, with GasAndes employees Miles McCall and Bruce Thomas.

NGI leads a group of Chilean and Argentine companies in the GasAndes pipeline project. In Santiago, Chile, NGI is also taking an ownership position in a natural gas-fired power project and the local natural gas distribution project, which have been proposed in conjunction with the pipeline. Construction on the pipeline is under way, and over the next three years, NOVA expects to invest approximately U.S. $275 million to complete the GasAndes pipeline and associated projects. In addition, NOVA has a 14.4% interest in the Transportadora de Gas del Norte S.A. system in Argentina. This pipeline is a vital link to other opportunities in the Southern Cone.

NGI has just completed a consulting contract with Pemex, Mexico's national oil company. The country recently changed its laws to permit foreign investment in certain aspects of its natural gas industry, creating interesting investment opportunities. NGI, along with Canadian Hunter Exploration Ltd. and Conoco Inc., is examining opportunities in Mexico.

NGI is building excellent relationships in the Asia Pacific region and is searching for high-quality investment opportunities. We have consulting contracts in China, Indonesia, Pakistan and Thailand, and we are continuing to build our joint venture, OGP Technical Services Sdn. Bhd. in Malaysia, along with our partner, PETRONAS.

EARNINGS PERFORMANCE

net income grows

(1) From continuing operations before restructuring charge

Net Income Contribution

(millions of dollars, except for share data)	1995	1994	1993
NOVA Gas Transmission	**$ 166**	$ 143	$ 125
NOVA Gas International	**31**	29	28
Petrochemicals			
NOVA-operated facilities	**450**	158	14
Equity in earnings of Methanex	**58**	134	–
Gain on sale of Novalta Resources Inc.	**–**	120	–
	508	412	14
Corporate[1]	**(3)**	(9)	24
	$ 702	$ 575	$ 191
Earnings per share (fully diluted)	**$ 1.44**	$ 1.20	$ 0.47

(1) 1993 includes a $25 million after-tax gain on the sale of Grove Italia S.p.A.

Earnings Reach Record $702 million

NOVA's 1995 earnings of $702 million ($1.44 per share) are its highest ever, exceeding the previous record of $575 million ($1.20 per share) set in 1994.

The improvement is due to higher earnings from NGTL resulting from expansion of the investment base and higher earnings from NOVA-operated petrochemical facilities as a result of:

→ strong polyethylene prices[1] in the first six months of 1995 which boosted the annual average price for linear low-density polyethylene to U.S. $0.44 per pound for 1995 compared with U.S. $0.33 for 1994; and

→ strong styrenics prices during the first six months of 1995 which increased the annual average price for styrene to U.S. $0.46 per pound for 1995 compared with U.S. $0.33 for 1994 and the annual average price for polystyrene to U.S. $0.56 per pound for 1995 compared with U.S. $0.46 for 1994.

Polyethylene and styrenics prices began rising in 1994 during the second quarter. Prices continued to increase through the first quarter of 1995 but levelled off in the second quarter and then declined during the last half of the year. Prices closed the year at levels that existed in mid-1994.

Earnings from NOVA's share of Methanex's results were $58 million in 1995 compared with $134 million in 1994. Average benchmark prices for methanol rose from U.S. $0.53 per gallon in January 1994, to a peak of U.S. $1.55 per gallon in January 1995. Prices then fell sharply, levelling out in the fourth quarter of 1995 to around U.S. $0.40 per gallon. Methanex's average realized price for 1995 was U.S. $0.67 per gallon compared with $0.87 per gallon in 1994. This is the main reason for the lower 1995 results.

(1) Unless otherwise indicated, all prices quoted for petrochemical products are average benchmark prices on the U.S. Gulf Coast as published by Chemical Data Inc. in its Monthly Petrochemical & Plastics Analysis. Average benchmark prices are not necessarily the actual prices realized by NOVA, Methanex or any other petrochemicals company.

1994 Earnings Increased with Rising Petrochemical Prices

Net income in 1994 was $575 million ($1.20 per share) compared with 1993 net income of $191 million ($0.47 per share). The improved earnings were the result of:

→ rising petrochemical prices;

→ timely investments in polyethylene, ethylene and methanol; and

→ a $120 million after-tax gain on the sale of Novalta Resources Inc.

Changes in Net Income per Share and Net Income – Better (Worse)

	1995 compared with 1994	1994 compared with 1993	**1995 compared with 1994**	1994 compared with 1993
	(cents per share)		(millions of dollars)	
NOVA Gas Transmission				
Increase in investment base	**6 cents**	4 cents	**$ 27**	$ 16
Decrease in after-tax return on common equity	**(1)**	–	**(4)**	–
Increase in common equity per cent of capital structure	**–**	2	**–**	9
Other	**–**	(1)	**–**	(7)
	5	5	**23**	18
NOVA Gas International	**–**	–	**2**	1
Petrochemicals				
Higher product margins	**62**	44	**291**	182
Higher product volumes	**3**	5	**13**	20
Higher (lower) equity in earnings of Methanex	**(16)**	33	**(76)**	134
Higher re-engineering and computer system development costs	**(1)**	(6)	**(6)**	(24)
Discontinued business	**–**	(4)	**–**	(17)
Other	**(1)**	(4)	**(6)**	(17)
	47	68	**216**	278
Gain on sale of Novalta Resources Inc.	**(26)**	29	**(120)**	120
	21	97	**96**	398
Corporate and other				
Gain on sale of Grove Italia S.p.A.	**–**	(6)	**–**	(25)
Other	**1**	(2)	**6**	(8)
	1	(8)	**6**	(33)
Increase in net income	**27**	94	**$ 127**	$ 384
Increase in average number of shares outstanding	**(4)**	(17)		
Dilutive factors	**1**	(4)		
Increase in net income per share (fully diluted)[1]	**24 cents**	73 cents		

(1) Fully diluted earnings per share (1995 – $1.44 per share, 491 million shares; 1994 – $1.20 per share, 484 million shares; 1993 – $0.47 per share, 432 million shares)

FACTORS AFFECTING NOVA's EARNINGS

Factors Affecting NOVA's Net Income per Share(1)

Assumptions(2)	Estimated annual EPS increase (decrease)(1)	Assumed third party sales
Petrochemicals(3)		
Increase in profit margin of U.S. 1¢ per pound		
Polyethylene	4.5 cents	2.4 billion lbs
Styrene	0.6 cents	0.3 billion lbs
Polystyrene	1.5 cents	0.8 billion lbs
Propylene	1.4 cents	0.8 billion lbs
NOVA Gas Transmission		
Increase of $100 million in the average investment base	0.8 cents	
Increase of 1% in regulated after-tax return on common equity	3.1 cents	
Increase of 1% in regulated common equity per cent of capital structure	0.8 cents	
Increase in Canadian dollar by U.S. 1¢(4)	(0.3) cents	
Increase in interest rates by 1%	(0.2) cents	

(1) Estimated annual change on fully diluted net income per share (EPS) based on 491 million shares. Assumes U.S. $1 = $1.365 Canadian.
(2) A decrease in these factors will have the opposite effect on net income per share.
(3) A U.S. $10 million increase in Methanex's net income will result in an estimated 0.7 cent increase in NOVA's net income per share.
(4) Excludes anticipated exposures that have been eliminated through hedging. NOVA has hedged approximately 80% of its anticipated 1996 U.S. dollar net exposure.

The largest factor affecting the variability of NOVA's earnings is the profitability of its petrochemicals business, and in particular its polyethylene operations. Earnings from NOVA Gas Transmission are relatively stable because of the regulatory environment in which it operates. Earnings from NOVA Gas International are relatively small as the business is still developing.

Factors Affecting Petrochemicals' Contribution

GLOBAL TRENDS AFFECT PRICES

The petrochemicals industry is a global industry typified by significant cyclical price increases and decreases. These price cycles are influenced by production capacity additions, economic conditions, chemical buyer psychology and global supply and demand balances. Product oversupply is a significant factor affecting price cycles. Economic slowdowns and the addition of new plants or increased production from existing plants can create oversupply and the intensified competition can drive prices down to the level of cash costs. When demand increases because of economic growth, prices typically reverse their downward trend and begin to rise rapidly, increasing profitability.

During 1994, growing American and Asian economies created strong demand for petrochemicals. As a result, plant capacity utilization was high and petrochemical prices started rising mid-way through 1994. However, early in 1995, demand became sluggish in the U.S. housing and auto industries and the Chinese government slowed Chinese styrene purchases. At the same time, new polyethylene and

polystyrene capacity was added. As a result, prices for these products dropped sharply. Industry opinion is divided on the direction 1996 prices will take, but over the long term, global economic growth will remain the largest factor influencing price direction.

NOVA's PETROCHEMICAL MARGINS

Ethylene and polyethylene are NOVA's primary petrochemical products. Close to half of NOVA's ethylene production is sold under long-term contracts which allow NOVA to recover production costs plus earn a specific return. Substantially all of the remaining ethylene production is used by NOVA to produce polyethylene. As a result, NOVA is not directly affected by changes in the market price for ethylene. However, changes in polyethylene market prices have a significant impact on NOVA's profitability as polyethylene price changes are not necessarily offset by similar changes in NOVA's ethylene costs. NOVA is also significantly affected by changes in the margin earned on methanol through its investment in Methanex.

Average Benchmark Prices on the U.S. Gulf Coast[1]

(U.S. $ per pound except methanol)	1Q 1995	2Q 1995	3Q 1995	4Q 1995	For the Year 1995	1994	1993
Polyethylene[2]	$ 0.49	$ 0.49	$ 0.43	$ 0.35	$ 0.44	$ 0.33	$ 0.29
Styrene	0.46	0.52	0.49	0.38	0.46	0.33	0.24
Polystyrene	0.57	0.61	0.57	0.49	0.56	0.46	0.41
Propylene	0.21	0.23	0.22	0.17	0.21	0.14	0.12
Methanol[3]	1.33	0.54	0.48	0.42	0.67	0.87	0.41

(1) Source: Monthly Petrochemical & Plastics Analysis by Chemical Data Inc. Average benchmark prices are not necessarily the actual prices realized by NOVA or any other petrochemicals company

(2) Linear low-density polyethylene.

(3) Methanex's average realized price in U.S. $ per U.S. gallon.

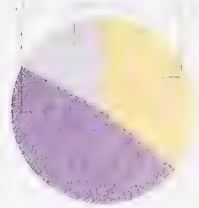
THE U.S. DOLLAR EXCHANGE RATE

NOVA's and Methanex's major markets are in the United States, Canada, Europe and the Asia Pacific region. Selling prices for most petrochemical products are established in U.S. dollars. Even when prices are quoted in Canadian dollars or some other currency, they will typically change with U.S. dollar prices established on the U.S. Gulf Coast. On the other hand, a portion of NOVA's petrochemical production costs is established in Canadian dollars. This relationship — where revenues fluctuate with changes in the U.S. dollar and a portion of production costs is established in Canadian dollars — means that NOVA's earnings would be expected to increase with a lower-valued Canadian dollar and decrease with a higher-valued Canadian dollar.

NOVA has substantially reduced its exposure to fluctuations in the U.S. dollar by using forward currency contracts and options. At the end of 1995, NOVA had forward contracts in place to sell approximately U.S. $500 million. These contracts mature throughout 1996 and 1997 and have an average exchange rate of $1.39 per U.S. dollar. NOVA also had U.S. $260 million in currency options ranging from $1.40 to $1.43 per U.S. dollar that can be exercised throughout 1996 and 1997. This compares with the end of 1994, when NOVA had U.S. $450 million in forward

NOVA sells worldwide

Polyethylene



Polystyrene

Canada
United States
Asia Pacific and other

contracts outstanding at an average exchange rate of $1.37. NOVA's position at the end of 1995 eliminates approximately 80 per cent of NOVA's anticipated 1996 U.S. dollar exposure and 50 per cent of its 1997 U.S. dollar exposure on net cash inflows. The Audit and Finance Committee of NOVA's Board of Directors regularly reviews foreign exchange hedging activity, ensuring it complies with NOVA's hedging policy. Foreign currency instruments are not used for speculative purposes.

SENSITIVITY TO HYDROCARBON FEEDSTOCK COSTS

NOVA purchases approximately 50 billion cubic feet of natural gas and 26 million barrels of crude oil, natural gas liquids and condensates per year as feedstock for producing its non-cost-of-service olefins, polyolefins and styrenics products. NOVA manages the risk of fluctuating prices on its near-term feedstock requirements by making limited use of short-term fixed price contracts and commodities futures contracts. The extent these hedging instruments are used depends on market conditions. NOVA ties its position in the futures markets to its physical feedstock requirements and hedging instruments are not used for speculative purposes.

Factors Affecting NGTL's contribution

INVESTMENT BASE, COMMON EQUITY COMPONENT AND RATE OF RETURN

Three key inter-related factors influence NGTL's net income: the amount of investment in the pipeline system, the regulated common equity component of the pipeline's capital structure, and the regulated after-tax return collected on the common equity component. NGTL's investment base includes the depreciated cost of pipeline facilities that are in service and under construction. Facilities are added because of customer requests for increased service. Natural gas market conditions typically affect the volume of customer requests. The investment base is financed by debt and common equity. NGTL's regulator, the Alberta Energy and Utilities Board (EUB), establishes the portion of the financing to come from common equity and specifies the after-tax return that NGTL can earn on this component. The amount of net income will vary depending on the rates specified by the EUB. The after-tax return is set by the EUB to produce a return that adequately compensates NGTL for business risk.

VARIANCE FROM APPROVED OPERATING COSTS

NGTL's earnings are also affected by variances between actual costs and budgeted costs on certain operating expenses that have been approved by the EUB. Variances from these approved costs are not collected from nor refunded to customers.

Factors Affecting NGI's contribution

GAS MARKETING BUSINESSES

Two of NOVA's partially owned entities – NGC Corporation and Novagas Clearinghouse Limited Partnership – engage in natural gas marketing activities. A portion of these activities involves entering into fixed-priced contracts. Although the companies generally attempt to balance purchase and sale commitments, net open positions often exist when it is determined likely that such positions will result in profits. Profits or losses on these positions are ultimately determined by subsequent changes in the market price of natural gas. Both companies have strict controls to monitor these activities and to limit any loss that may occur.

NOVA GAS TRANSMISSION

NOVA Gas Transmission Highlights

(millions of dollars, except percentages and volumes)	1995	1994	1993
Net income contribution	**$ 166**	$ 143	$ 125
Capital expenditures[(1)]	**$ 584**	$ 826	$ 522
Depreciation	**$ 167**	$ 167	$ 154
Average investment base[(2)]	**$ 4,674**	$ 3,951	$ 3,512
Total delivered gas volumes[(3)]	**4.3**	4.1	3.8
Regulated common equity per cent of capital structure[(4)]	**32%**	32%	30%
Regulated after-tax return on common equity[(4)]	**11.50%**	11.75%	11.75%

(1) Net of retirements.
(2) Includes facilities in service and under construction.
(3) Trillion cubic feet.
(4) Approved by regulator for purposes of determining annual tolls.

NGTL pipeline doubles in five years

NGTL Transports 80% of Canadian Gas Production

NGTL owns and operates an Alberta-based regulated natural gas pipeline business that transports natural gas for use within Alberta and to provincial borders for connection with pipelines serving Canada and the United States. The 13,300 mile (21,400 kilometre) pipeline system services the Western Canada Sedimentary Basin (WCSB) which contains about 65 trillion cubic feet (tcf) of established conventional reserves, equating to about 12 years of supply at 1995 production rates. This compares with U.S. basins that typically average 6 to 12 years of reserves. Virtually all of Canada's natural gas production comes from the WCSB and while Canadian production has doubled from 2.5 tcf in 1986 to 5.2 tcf in 1995, WCSB reserves have remained relatively constant. NGTL transports about 80% of Canadian natural gas production and about 15% of the natural gas produced annually in North America.

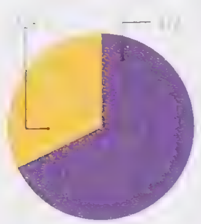
NGTL Under New Regulation in 1995

Prior to 1995, customers transporting natural gas on the NGTL pipeline system paid a toll based on the actual costs incurred by NGTL. This cost-of-service tolling system provided for the recovery of all reasonable and necessary costs incurred in providing gas transportation service including interest on debt plus a specified after-tax return on the common equity component of NGTL's capital structure. The tolling system was subject to review by the Public Utilities Board of Alberta (PUB) on a complaint basis.

In 1995, NGTL became regulated under the Gas Utilities Act (Alberta) in a manner similar to other regulated Canadian pipeline companies. The new tolling system is not based on the recovery of actual costs incurred as in the past, but on budgeted costs applied for in the General Rate Application (GRA) and approved by the EUB. The EUB is a Government of Alberta regulatory body that was formed through the amalgamation of the Alberta Energy Resources Conservation Board and the PUB in early 1995. In its GRA, NGTL applies to recover a specified amount of revenue. This revenue requirement is intended to be sufficient to cover NGTL's budgeted operating costs and other expenses and to provide a return on invested capital that is based on an approved capital structure and an after-tax rate of return.

company

financing NGTL's 1996 pipeline growth[1]



(1) 1996 estimated capital expenditures – $400 million

1995 TOLLS

In Phase I of NGTL's 1995 GRA, the EUB set NGTL's 1995 after-tax rate of return at 11.5% on a 32% deemed common equity component of the capital structure. The EUB considers this return to be consistent with the rates earned by other enterprises of similar risk. The 1995 return is lower than the 11.75% return that was collected in 1994. The lower rate reduced NGTL's earnings by $4 million compared with 1994.

In its 1995 tolls decision, the EUB also ruled on the type and amount of certain costs that NGTL can include in its tolls. The EUB ordered NGTL to reduce its 1995 depreciation charge by $30 million and to file a depreciation study with its next GRA. The depreciation adjustment reduced cash flow but had a minimal impact on net income. The EUB also disallowed $10 million related to operating expenses.

PHASE II OF THE 1995 GENERAL RATE APPLICATION

The EUB began a hearing on Phase II of NGTL's 1995 GRA in January 1996 and a decision is expected later in 1996. This phase addresses tolling structure, the content and duration of customer contracts, and procedural matters. Since Phase II focuses on allocating the approved costs among the customers, the EUB ruling is not anticipated to affect NGTL's earnings. However, it is possible that NGTL's business risk could increase, depending on the type of changes made to the terms and conditions customers must meet before receiving pipeline service.

Pipeline Expansion Results in Increased Earnings

NGTL's average investment base has grown by $1.5 billion in the past three years as annual capital expenditures continue to exceed annual depreciation. As NGTL earns an after-tax return on its investment base, a larger investment base results in higher earnings. Investment base growth increased NGTL's 1995 earnings by $27 million and 1994 earnings by $16 million when compared with the prior year's results. NGTL's $584 million 1995 capital expansion program follows a record $826 million expansion in 1994 and a $522 million expansion in 1993. Capital expenditures were lower in 1995 as customers responded to weakening natural gas market conditions by delaying their system expansion requests.

NOVA GAS INTERNATIONAL

NOVA Gas International Highlights

(millions of dollars)	1995	1994	1993
Net income contribution			
Investment and consulting earnings[1]	$ 66	$ 52	$ 43
Business development, interest and other costs	(35)	(23)	(15)
	$ 31	$ 29	$ 28
Investments[1]	$ 805	$ 611	$ 196
Cash investments during the year	$ 132	$ 370	$ –
Capital expenditures	$ 39	$ 37	$ 29
Depreciation	$ 18	$ 15	$ 22

(1) Includes investments in joint ventures.

NGI has two dimensions: a North American natural gas services business and an international gas services business. The North American business pursues gas services opportunities in the United States primarily through its investment in NGC Corporation and in Canada through Novagas Clearinghouse Limited Partnership and Foothills Pipe Lines Ltd. The international gas services business focuses on gas services opportunities in South America, the Asia Pacific region and Mexico.

Expanded North American Gas Services Offerings

NGC CORPORATION (NGC): ONE OF THE LARGEST INDEPENDENT GAS MARKETERS IN THE U.S. (33.3% OWNED; $373 MILLION INVESTMENT; $15 MILLION EARNINGS CONTRIBUTION)

In 1994, NGI significantly increased its presence in the North American gas services market by acquiring 39.1% of Natural Gas Clearinghouse, a U.S. natural gas gathering, processing and marketing business. In 1995, Natural Gas Clearinghouse combined with Trident NGL Holding, Inc. to form NGC Corporation.

NOVA's share of earnings from NGC was $15 million in 1995 compared with $9 million from Natural Gas Clearinghouse in 1994. The 1995 results benefited from the addition of the gas liquids processing business through the combination with Trident. However, this benefit was offset by lower margins from natural gas marketing activities during the first six months of the year. Moderate weather throughout North America during the first half of 1995 reduced opportunities for NGC's marketing business to profit from temporary supply/demand imbalances.

On January 22, 1996, NGC and Chevron Corporation announced they had entered into exclusive negotiations to combine Chevron's natural gas gathering, processing and marketing operations with NGC. If the combination is completed, NOVA is anticipated to retain between 23.6% and 25% of the expanded NGC Corporation.

NOVAGAS CLEARINGHOUSE LIMITED PARTNERSHIP (NCL): A CANADIAN NATURAL GAS SERVICES PARTNERSHIP (50.01% OWNED BY NOVA AND 49.99% OWNED BY NGC; $37 MILLION INVESTMENT; $5 MILLION EARNINGS CONTRIBUTION)

NCL is owned jointly with NGC. NCL was created to pursue natural gas services opportunities in Canada including gathering, processing, transmission, storage and marketing. In its first year of operations in 1994, NCL purchased Great West Energy Ltd.,

company

a natural gas marketing company, and constructed a 15 million cubic feet per day natural gas processing facility. During 1995, NCL built a 50 million cubic feet per day natural gas processing facility in northwestern Alberta, a 35 mile (56 kilometre) pipeline from British Columbia into Alberta, and started constructing a 44 mile (70 kilometre) gathering and transmission system in northeastern British Columbia connecting into NGTL's system in northwestern Alberta. NCL also purchased Pan-Alberta Gas operations from NOVA during 1995. NCL's expansion during the past year has resulted in an increase in its direct earnings contribution to $5 million in 1995 from $2 million in 1994.

FOOTHILLS PIPE LINES LTD.: A MAJOR TRANSPORTER OF NATURAL GAS TO THE U.S.
(50% OWNED; $165 MILLION INVESTMENT; $19 MILLION EARNINGS CONTRIBUTION)
Foothills operates a 576 mile (927 kilometre) pipeline system dedicated to shipping natural gas from Canada to the United States. Foothills is regulated by the National Energy Board of Canada. In 1995, Foothills transported 920 billion cubic feet of natural gas to the border for transmission to the U.S. Midwest, Pacific Northwest and California. Foothills' earnings contribution has been stable over the past three years (1995 – $19 million, 1994 – $18 million, 1993 – $15 million). This stability is a result of modest rate base growth offset by changes to Foothills' after-tax return. In 1996, Foothills will begin refunding its deferred income tax balance to its customers. The refund will be spread over 10 years and the cash flow impact is expected to be largely offset by an increase in Foothills' depreciation rate. These factors will not significantly affect Foothills' net income contribution to NOVA.

Concentrated International Focus

Earnings from international activities are anticipated to remain modest over the next few years as NOVA continues to reinvest earnings in developing further business opportunities, such as the GasAndes project in Chile. NOVA's most significant current investments are in Argentina, Australia, and Malaysia.

ARGENTINA: TRANSPORTADORA DE GAS DEL NORTE (TGN)
(14.4% OWNED; $82 MILLION INVESTMENT; $12 MILLION EARNINGS CONTRIBUTION)
TGN is a 2,710 mile (4,370 kilometre) pipeline in northern Argentina. NOVA acquired its initial interest in the pipeline in late 1992. Earnings from this investment have been steadily increasing and were $12 million in 1995 compared with $9 million in 1994 and $6 million in 1993.

AUSTRALIA: EAST AUSTRALIAN PIPELINE LIMITED (EAPL)
(25% OWNED; $69 MILLION INVESTMENT; $5 MILLION EARNINGS CONTRIBUTION)
EAPL is a 1,200 mile (1,935 kilometre) pipeline that transports natural gas from the Moomba Field to Sydney, Australiã. NOVA acquired its interest in the pipeline in mid-1994.

MALAYSIA: OGP TECHNICAL SERVICES SDN. BHD. (OGP)
(40% OWNED; $7 MILLION INVESTMENT; $2 MILLION EARNINGS CONTRIBUTION)
OGP was created in partnership with Petroliam Nasional Berhad. The company provides project management and engineering services in Asia.

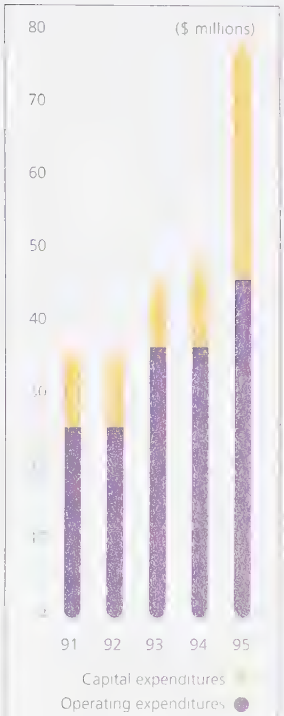
PETROCHEMICALS

Petrochemicals Highlights

(millions of dollars)	1995	1994	1993
Net income contribution			
NOVA-operated facilities[1]	**$ 450**	$ 158	$ 14
Equity in earnings of Methanex	**58**	134	–
Gain on sale of Novalta Resources Inc.	**–**	120	–
	$ 508	$ 412	$ 14
Operating income (loss)			
Olefins and polyolefins	**$ 652**	$ 311	$ 75
Styrenics	**147**	24	(22)
Methanol[2]	**–**	1	26
Re-engineering, computer system development and other costs[3]	**(64)**	(38)	–
	$ 735	$ 298	$ 79
Revenue			
Olefins and polyolefins	**$ 2,444**	$ 2,174	$ 1,658
Styrenics	**690**	554	584
Methanol[2]	**–**	18	232
Intra-segment eliminations	**(125)**	(95)	(166)
	$ 3,009	$ 2,651	$ 2,308
Capital expenditures	**$ 136**	$ 204	$ 262
Average capital employed[4]	**$ 1,901**	$ 2,098	$ 2,207
Depreciation	**$ 190**	$ 175	$ 168

(1) Includes facilities owned and operated by NOVA and equity investments in ethane gathering, storage and processing facilities.
(2) In January 1994, NOVA exchanged its methanol facilities for shares in Methanex.
(3) See page 29 for an explanation of targeted benefits from re-engineering.
(4) Excludes investment in Methanex (1995 – $569 million, 1994 – $507 million, 1993 – $160 million).

R&D advances polyethylene technology[1,2]



(1) Research and development includes customer technical support and product improvement expenditures.

(2) 1995 capital expenditures relate primarily to the SCLAIRTECH polyethylene pilot plant.

Petrochemicals Earnings Best Ever

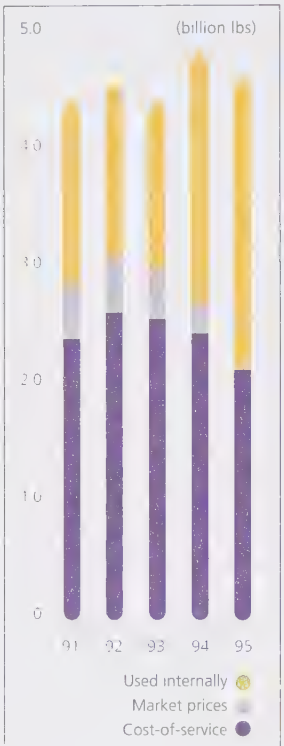
NOVA's petrochemicals business earned $508 million in 1995, making it the business's best year ever. The contribution from NOVA-operated petrochemicals businesses — the olefins, polyolefins and styrenics businesses — increased $292 million largely because of high polyethylene and styrenics prices during the first half of the year. The contribution from Methanex decreased $76 million or 57% as a result of lower average methanol prices for 1995.

Olefins and Polyolefins Operating Income up $341 Million

NOVA's olefins and polyolefins businesses produce ethylene; linear low-density, low-density, and high-density polyethylene; propylene; and various co-products from the ethylene production process. These products trade globally and are subject to significant price fluctuations based on worldwide supply and demand. Strong petrochemical prices in the first half of the year boosted operating income from NOVA's olefins and polyolefins businesses to a record $652 million, more than double 1994 results.

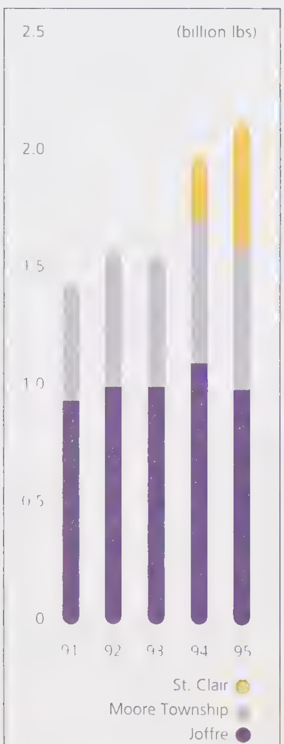
Looking back at 1994, operating income from the olefins and polyolefins businesses was $236 million higher than in 1993. The improvement was largely the result of

ethylene utilization[1]



(1) Current year production net of changes in inventory levels

polyethylene production grows



higher polyethylene prices. Polyethylene prices increased to an average of U.S. $0.33 per pound in 1994, up from U.S. $0.29 per pound in 1993, primarily because of increased worldwide product demand.

SECOND-LARGEST NORTH AMERICAN ETHYLENE PRODUCER

NOVA is North America's second-largest ethylene producer with a total annual production capacity of 4.9 billion pounds from two sites at Joffre, Alberta and Corunna, Ontario. NOVA produces about 8% of North America's total ethylene production. Over the last nine years, NOVA has added over 900 million pounds of new ethylene capacity through debottlenecking at an average cost of U.S. 13 cents per pound compared with an estimated cost of building new facilities at U.S. 30 to 35 cents per pound. About 2.5 billion pounds of NOVA's 1995 ethylene production was used as feedstock for its own polyethylene and styrene operations, and 2.1 billion pounds was sold to third parties under cost-of-service contracts. Co-products from the production process are sold at market prices.

NOVA's Joffre facility is the second-largest ethylene production site in North America, producing 3.2 billion pounds of ethylene in 1995. Two ethylene plants operate on the Joffre site, both producing ethylene from natural gas-derived ethane. The site is located on the Western Canada Sedimentary Basin, near some of North America's lowest-cost natural gas and is supported by Alberta's low-cost, mature ethane extraction, gathering and storage infrastructure. These factors combine to make the Joffre site one of the lowest-cost ethylene production facilities in the world.

The Joffre ethylene plants were constructed using project financing that was secured by long-term cost-of-service sales contracts with customers. These contracts cover approximately 67% of Joffre's production and are based on pricing formulas that allow NOVA to recover two-thirds of the facility's operating and financing costs, including debt amortization, plus a contractually based return on equity. These contracts insulate the underlying ethylene production from the price and margin fluctuations of the ethylene market. The contracts expire in December 1998 and June 2004, at which time the plants will be fully depreciated and the project financing will have been fully repaid. NOVA is currently negotiating new contracts for the majority of the ethylene that will be available on expiry of the December 1998 contract. The new 10-year contracts will not be cost-of-service based, but are expected to cover all production costs and provide NOVA with a return at least equal to the return under the present cost-of-service arrangements. The balance of remaining available production will be used by NOVA as feedstock in its own petrochemical operations.

The Corunna plant produced 1.4 billion pounds of ethylene in 1995. The facility has the ability to produce ethylene from a wide range of raw material feedstocks including crude oil, natural gas liquids and condensates. Corunna optimizes the feedstocks based on their relative costs and co-product revenues. Corunna ranks among the lowest-cost producers in North America. Virtually all of the ethylene produced from this plant is used by NOVA for the production of polyethylene and styrene products. Co-products from the ethylene production process are sold at market prices.

FIFTH-LARGEST NORTH AMERICAN POLYETHYLENE PRODUCER

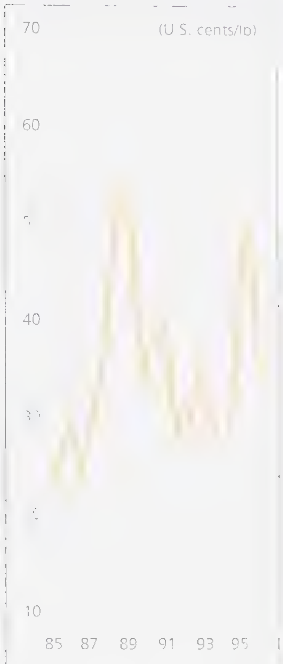
Polyethylene is a globally traded plastic resin that is used to make packaging materials and many other diverse products. NOVA is North America's fifth largest polyethylene producer with a total annual capacity of 2.5 billion pounds from its three sites at Joffre, Alberta; Moore Township, Ontario, and St. Clair River, Ontario. NOVA produces about 7% of North America's total polyethylene production. Over the last nine years, NOVA has added 700 million pounds of new polyethylene capacity through debottlenecking at an average cost of U.S. 3 cents per pound compared with an estimated cost of building new facilities of U.S. 35 to 40 cents per pound. In late June 1994, NOVA acquired the 500 million pound per year St. Clair River polyethylene facility and SCLAIRTECH technology and worldwide licencing business from DuPont Canada Inc. An additional 74 million pounds per year of capacity was added to the St. Clair site through debottlenecking. The total cost of adding the 574 million pounds of production was about U.S. 6 cents per pound.

NOVA's Joffre site produces linear low-density polyethylene using Union Carbide's UNIPOL gas phase process technology. Joffre's current polyethylene production capacity is 1.2 billion pounds per year. Production totalled one billion pounds in 1995, a decrease of 110 million pounds or 10% compared with 1994 production. The Moore Township site produces high-density polyethylene using a gas phase process and low-density polyethylene using a high pressure process. Production totalled 612 million pounds in 1995, relatively unchanged from 1994 production. Its current polyethylene production capacity is about 680 million pounds per year. The St. Clair site produces linear low-density and high-density polyethylene using the SCLAIRTECH solution-based process. St. Clair's current polyethylene production capacity is about 574 million pounds per year. In 1995, it produced 515 million pounds. NOVA's half-year share of St. Clair's 1994 production was 259 million pounds. In response to an industry-wide slowdown in polyethylene demand, NOVA reduced its polyethylene production in the last half of 1995 to prevent excess inventory build-up and minimize cash flow cycle time. As a result, polyethylene production was below capacity at all sites in 1995.

POLYETHYLENE PRICES

Polyethylene prices are the largest factor affecting NOVA's earnings (see page 18). About 83% of NOVA's polyethylene sales are made in North America, with the balance being made to other world markets. Polyethylene is marketed primarily through NOVA's own sales force. By adding ethylene and polyethylene capacity in mid-1994, NOVA maximized production when polyethylene prices were at their highest. Polyethylene prices began rising during the second quarter of 1994 and reached a peak of $0.49 per pound in the first quarter of 1995. The rise in prices was attributed to increased demand resulting from growth in the world economy, supply constraints resulting from industry operating problems on the U.S. Gulf Coast during 1994, and higher ethylene feedstock costs. During the second quarter of 1995, prices levelled off and then started to decline. Prices closed the year at around U.S. $0.33 per pound. This is about 16 cents below prices at the start of the year,

polyethylene linear low-density prices[1]



(1) Average benchmark prices on the U.S. Gulf Coast

company

propylene prices[1]

(1) Average benchmark prices on the U.S. Gulf Coast

but still seven cents above prices two years ago. The price decline is attributed to decreased demand due to a slowdown in the growth of the U.S. economy and the corresponding reduction of chemical inventories by customers anticipating lower end-product demand. Increased supply resulting from additions to industry capacity also contributed to lowering prices.

POLYPROPYLENE OPERATION SOLD

In addition to producing ethylene and polyethylene, the Corunna plant also produced 687 million pounds of propylene in 1995. About 90% of the 1995 production was sold to third parties at market prices with the balance of production being used as a feedstock for the production of polypropylene. Mid-way through 1995, NOVA sold its polypropylene operation. NOVA will continue to supply the new plant owner with propylene feedstock under a long-term supply arrangement.

Production

(millions of pounds, except methanol)	1995	1994	1993
Ethylene	**4,587**	4,699	4,529
Ethylene co-products[1]	**3,581**	3,558	3,630
Polyethylene			
Linear low-density[2]	**1,286**	1,241	1,009
Low-density	**238**	223	222
High-density[2]	**600**	512	331
Styrene	**948**	900	742
Polystyrene	**674**	675	617
Propylene	**687**	627	675
Polypropylene[3]	**63**	141	120
Methanol (millions of U.S. gallons)[4]	–	–	301

(1) Ethylene co-products include butadiene, butylene, C5 dienes, aromatics, and C9 resin oils.
(2) 1994 includes six months of production from the St. Clair facility.
(3) The polypropylene operation was sold on June 30, 1995.
(4) In January 1994, NOVA exchanged its methanol facilities for shares in Methanex.

Styrenics Operating Income Up

NOVA combines its styrene and polystyrene operations into one business unit known as styrenics. Styrenics products are subject to significant price fluctuations based on worldwide supply and demand. The styrenics operation returned to profitability in 1994, with operating income increasing to $24 million from a loss of $22 million in 1993. This was followed by a record year in 1995 with operating income increasing to $147 million or six times 1994 results. The improvements in 1995 and 1994 are primarily because of higher styrene and polystyrene prices.

ONE BILLION POUNDS OF STYRENE SUPPLY

NOVA has about one billion pounds of annual styrene supply: 400 million from an arrangement with ARCO Chemical Company's facility in Channelview, Texas, and 600 million pounds from NOVA's plant in Sarnia, Ontario. More than half the benzene feedstock and 100% of the ethylene feedstock for the Sarnia styrene plant

comes from NOVA's Corunna plant. About two-thirds of Sarnia's styrene production is used as feedstock for NOVA's polystyrene production. The remainder is sold to third parties at market prices.

STYRENE PRICES PEAK IN JULY 1995

Styrene prices began rising from U.S. $0.26 per pound at the end of the first quarter in 1994 and continued increasing to U.S. $0.53 per pound in the second quarter of 1995. Increased demand resulting from a growing world economy was the main reason for the higher prices. In July 1995, styrene prices reversed their trend and dropped sharply, primarily in response to shrinking demand from China. The displaced volumes impacted the European and U.S. markets forcing average U.S. Gulf Coast contract prices down to U.S. $0.34 per pound in December 1995.

FOURTH-LARGEST NORTH AMERICAN POLYSTYRENE PRODUCER

NOVA is North America's fourth-largest polystyrene producer with a capacity of 743 million pounds of polystyrene and 15 million pounds of clear specialty resin at the end of 1995. Polystyrene is produced at NOVA's facilities at Decatur, Alabama; Indian Orchard, Massachusetts; and Montreal, Quebec; and at a third-party facility at Addyston, Ohio. Polystyrene is used to produce food packaging, housewares and electrical components. NOVA produces about 12% of North America's total polystyrene production and is assessing a debottlenecking opportunity to increase its polystyrene capacity 30% by the end of 1997. All of NOVA's polystyrene production is sold to third parties at market prices.

POLYSTYRENE PRICES FOLLOW STYRENE TREND

As styrene is the feedstock for polystyrene, polystyrene prices will typically follow styrene price movements. Polystyrene prices began rising from U.S. $0.41 per pound at the end of the first quarter in 1994 and continued increasing to U.S. $0.62 per pound in the second quarter of 1995. When styrene prices started to fall in the third quarter of 1995, polystyrene prices followed, closing the year at U.S. $0.47 per pound.

Re-engineering for Low-cost Excellence

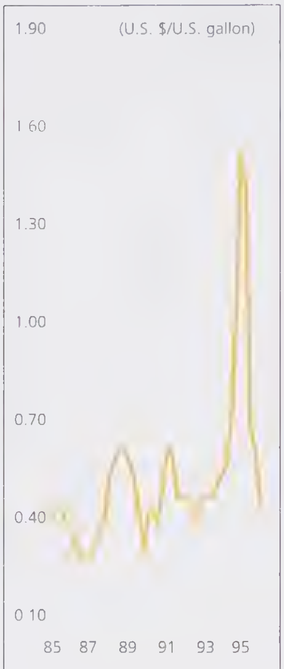
During 1995, NOVA completed re-engineering its petrochemical operating and business processes and started to realize the full benefits from this effort in the fourth quarter. NOVA believes that by having re-engineered its operations, annual pre-tax cash flow should be about $130 million per year higher than it would have otherwise been. The cash flow increase includes $100 million of operating income improvements and $30 million of sustaining capital cost reductions. These improvements will help offset inflation and other cost increases resulting from new petrochemical initiatives. NOVA is also implementing a company-wide computer software system to enhance integration of NOVA's information systems. One of the main purposes of this system is to link the re-engineered petrochemical business processes to assist in maintaining the ongoing benefits from re-engineering.

polystyrene/styrene prices(1)

(1) Average benchmark prices on the U.S. Gulf Coast

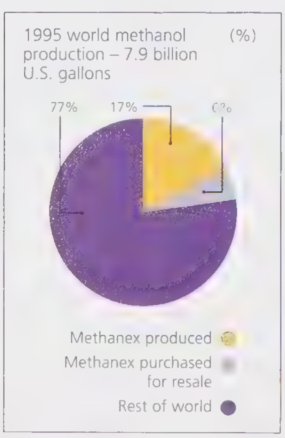
company

methanol prices(1)



(1) Average benchmark prices on the U.S. Gulf Coast

Methanex produced 17% of the world's methanol



Ownership in the World's Largest Methanol Producer

Methanol is a globally traded chemical that is used in construction materials, reformulated gasoline and acetic acid. Through a series of transactions in December 1993, and January 1994, NOVA acquired a 24.1% interest in Methanex Corporation. As part of these transactions, NOVA exchanged its methanol assets, including its three production plants at Medicine Hat, Alberta. In late 1994 and early 1995, Methanex undertook a share buy-back program. NOVA did not participate in the program and as a result, NOVA's ownership in Methanex increased to 24.8%.

Methanex is the world's largest methanol producer. In addition to producing methanol, Methanex also purchases methanol from other companies for resale. In 1995, Methanex sold 1.3 billion gallons of produced methanol and resold 459 million gallons of purchased product. This compares with 1994 sales of 1.2 billion gallons of produced product and resales of 489 million gallons of purchased product. Methanex completed a 230-million-gallon expansion of its Motunui, New Zealand, facility during the third quarter of 1995 and is on target to complete a 300-million-gallon expansion at its Chile facility in late 1996. Together, the expansions are expected to bring Methanex's total production capacity to about 2.0 billion gallons.

METHANOL PRICES FLUCTUATE WITH WORLD SUPPLY AND DEMAND

NOVA's share of Methanex's 1995 earnings was $58 million compared with $134 million in 1994. The decrease in earnings is a result of lower methanol prices. Methanex's earnings move with changes in methanol prices which in turn fluctuate with methanol world supply and demand. During 1994, U.S Gulf Coast benchmark prices for methanol tripled, from a first quarter average price of U.S. $0.55 per gallon to U.S. $1.45 per gallon in the fourth quarter. Prices had been moving up because of minimal growth in industry production capacity in 1994 combined with strong growth in product demand. However, in the first quarter of 1995 methanol prices peaked at U.S. $1.55 per gallon and began to move downwards. The high margins in 1994 encouraged suppliers to produce at maximum capacity and forced some purchasers to switch to alternative products. This was coupled with lower than anticipated demand for methanol as an additive to reformulated gasoline and fewer North American housing starts. These events combined to create excess methanol supply, forcing methanol prices down. By the fourth quarter of 1995, prices stabilized around U.S. $0.40 per gallon. Methanex's average realized price for 1995 was $0.67 per gallon compared with $0.87 per gallon in 1994. Methanol supply and demand is anticipated to stay fundamentally in balance through 1996 given a continuation of moderate economic growth, expanded product applications and increasing acceptance of reformulated gasoline.

SAFETY, HEALTH, ENVIRONMENT AND RISK

NOVA has developed a Safety, Health, Environment and Risk (SHER) management system that was independently ranked in 1994 among the top quartile North American businesses. NOVA's efforts in 1995 focused on maintaining and improving that first quartile position.

NOVA-wide Initiatives

During the year, we established a SHER Council to coordinate a common approach to SHER management across NOVA. The Council's mission is to "lead and engage all NOVA businesses in the pursuit of SHER excellence." A series of Council-sponsored networks facilitate the sharing of best practices and knowledge across all NOVA businesses.

In September 1995, a NOVA-wide SHER internal audit program was introduced for all operating businesses and selected joint ventures. The audit program has been designed to verify SHER management systems, confirm compliance with regulations, identify opportunities for improvement and pinpoint risks and liabilities. Approximately 40 audits will be conducted across NOVA in 1996. Each year, an independent consultant will assess the quality and effectiveness of the audit program.

NOVA has a comprehensive crisis management plan which was updated in 1995. Should a crisis occur, a team of NOVA's senior officers will have priority access to all NOVA resources necessary to respond appropriately.

In 1995, NOVA submitted a voluntary action plan to the Canadian Ministry of Natural Resources outlining how it would help to reduce greenhouse gas emissions. The plan balances NOVA's future growth prospects with its commitment to better manage greenhouse gases.

Full disclosure of our SHER activities plays an integral role in our SHER management program. In 1995, NOVA published its first SHER performance report and distributed it to all employees and selected external audiences. The report is a prototype of what may become a regular, stand-alone report to our employees, our shareholders, community groups and other interested parties.

NOVA has a comprehensive risk management and loss prevention program across all of its businesses and facilities. In addition to underwriting NOVA's risks, NOVA's insurers participate in on-site inspections of major pipelines and petrochemical facilities and provide valued expertise and advice on matters of loss prevention.

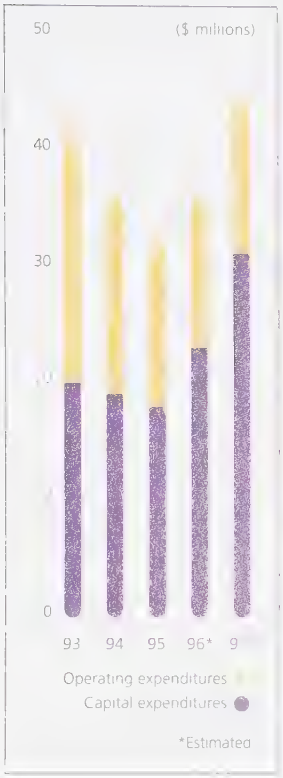
Awards

NOVA's businesses received several industry awards for safety performance in 1995. This performance reflects the priority NOVA places on keeping our people and facilities safe.

Human Resource Issues

During 1995, all NOVA businesses completed their comprehensive re-engineering processes. As might be expected during this time, some employees experienced work-related stress. We appreciate all the extra effort employees have shown. In 1996, we will focus on employees' personal development and implement stress prevention and remediation programs.

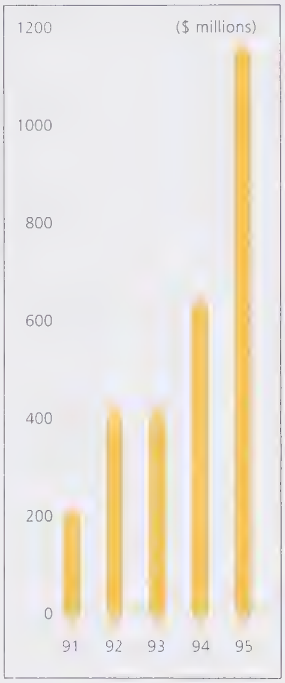
environmental expenditures



company

LIQUIDITY AND CAPITAL

cash from operations increases



Cash Flow Highlights(1)

(sources (uses) of cash, millions of dollars)	**1995**	1994	1993
Operating activities	**$ 1,171**	$ 653	$ 425
Asset sales	**87**	323	35
Common shares issued(2)	**19**	525	22
Investing activities(3)	**(478)**	(996)	(528)
Dividends and share repurchases	**(145)**	(110)	(120)
Debt addition (reduction)(4)	**(316)**	(397)	161
Increase (decrease) in cash	**$ 338**	$ (2)	$ (5)

(1) All amounts reflect related non-cash working capital changes.
(2) 1994 excludes conversion of convertible debentures.
(3) Excludes asset sales.
(4) Includes changes in preferred shares of subsidiary and current bank loans.

Focusing on Core Businesses

Throughout 1994 and 1995, NOVA invested in its core businesses and sold non-core businesses. A summary of the proceeds and expenditures for significant 1994 and 1995 activities is provided below.

NOVA Gas Transmission		**$ Millions**
1994	Expansion of the Alberta pipeline system.	826
1995	Expansion of the Alberta pipeline system.	584
NOVA Gas International		
1994	Bought a 39.1% interest in Natural Gas Clearinghouse.	246
	Bought a 25% interest in the Moomba-Sydney natural gas pipeline.	72
1995	Retained a 33.3% interest in NGC Corporation, a new company formed by combining the gas services businesses of Natural Gas Clearinghouse and Trident NGL Holding, Inc.	95
	Sold Pan-Alberta Gas Ltd. to Novagas Clearinghouse Limited Partnership.	19
	Started construction on the GasAndes pipeline project. NGI's share of the capital costs for GasAndes and associated projects is expected to be U.S. $275 million.	37
Petrochemicals		
1994	Sold Novalta Resources Inc., an oil and gas exploration and development company.	265
	Increased ownership in Methanex Corporation by 15%, bringing NOVA's ownership to 24.1%(1).	223(2)
	Purchased DuPont Canada Inc.'s Canadian polyethylene business.	45
1995	Sold the polypropylene business including a 140 million pound polypropylene facility in Michigan.	60

(1) Ownership increased to 24.8% during 1995 as a result of Methanex's share buy-back plan in which NOVA did not participate
(2) Includes the exchange of NOVA's methanol assets.

Capitalization

December 31 (millions of dollars, except percentages)	1995		1994		1993	
		%		%		%
Regulated[1]						
Long-term debt[2,3]	**$ 3,699**	**65**	$ 3,545	67	$ 3,193	69
Common equity	**1,949**	**35**	1,760	33	1,449	31
	$ 5,648		$ 5,305		$ 4,642	
Non-regulated						
Current bank loans[4]	**$ –**	**–**	$ 281	12	$ 403	23
Long-term debt[2,4]	**376**	**17**	461	20	560	31
Common equity	**1,874**	**83**	1,581	68	826	46
	$ 2,250		$ 2,323		$ 1,789	

(1) Includes NGTL, Foothills Pipe Lines and the ethylene cost-of-service operations
(2) Includes current portion.
(3) Includes preferred shares of subsidiary (1995 – $nil, 1994 – $100 million, 1993 – $176 million).
(4) Net of cash available for debt repayment.

Non-regulated Debt Reduced

Cash from operations increased $518 million, or 79% in 1995 and $228 million or 54% in 1994. The improvements were the result of stronger petrochemical earnings in both years. Excess cash flow in 1995 was used to further reduce non-regulated debt to 17% at the end of 1995 compared with 32% at the end of 1994 and 54% at the end of 1993. The improvement from 1993 to 1994 was largely the result of NOVA issuing 57 million shares for $525 million. In addition to shares issued for cash, NOVA also issued 14 million shares in 1994 on the conversion of its $150 million convertible debentures.

Petrochemicals Business Issues Debt

In September 1995, Novacor Chemicals Ltd. (Novacor), a 100% NOVA-owned subsidiary, issued U.S. $350 million of unsecured notes. The proceeds were used to repay outstanding bank loans and loans from NOVA. The debt issue increases NOVA's financing flexibility by decreasing reliance on bank credit and by matching long-term petrochemical assets with comparable debt terms.

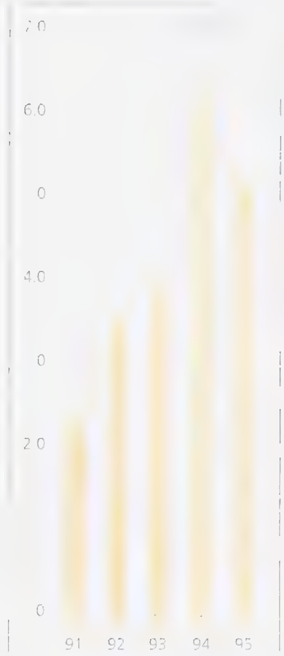
Regulated Debt Recoverable from Customers

As a regulated pipeline, NGTL's capital expenditures form part of the investment base on which it collects an after-tax return. Over time, the cost of these capital expenditures is depreciated and recovered from the customers through the regulated tolling process. The expenditures are financed by regulated debt, operating cash flows and by equity contributions from NOVA. NGTL's ability to obtain capital on the best terms available is dependent on its credit rating. NGTL's credit ratings are comparable with other major Canadian natural gas pipelines. NGTL's capital program is expected to be about $400 million in 1996.

Future Capital Requirement

NOVA's total capital requirement for 1996 is expected to be approximately $500 million. This does not include $272 million of the NGTL capital program which will be financed by regulated debt. Cash from operations should be sufficient to finance NOVA's equity contribution to the NGTL pipeline and planned expenditures in the non-regulated businesses. If it chooses, NOVA also has the ability to draw down on its credit facilities. At December 31, 1995, NOVA was using only about $500 million of its $2 billion available facilities.

market capitalization[1]



(1) Based on NOVA's closing share price on the TSE

Credit Ratings of Unsecured Debt Securities[1] December 31, 1995

	NGTL	Novacor	NOVA
CBRS	A(Low)	B++(High)	
DBRS	A	BBB	–
S&P	A-	BBB+	BBB+
Moody's	A3	Baa2	–

(1) Credit ratings are not recommendations to purchase hold or sell securities and do not comment on market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future.

(unaudited; millions of dollars, except share amounts, ratios and miscellaneous)		1995	1994	1993	1992	1991	1990
Operating results							
Revenue	$	**4,482**	3,973	3,333	3,049	3,101	4,012
Operating income	$	**1,212**	766	542	547	416	674
Net income from continuing operations	$	**702**	575	191	152	32(1)	185
Net income (loss)	$	**702**	575	191	152	(937)	167
Total assets	$	**9,275**	8,644	7,251	6,627	6,089	7,015
Capitalization							
Current bank loans(2) – non-regulated	$	**–**	281	403	222	262	242
Long-term debt(2) – regulated		**3,699**	3,545	3,193	2,827	2,656	2,342
– non-regulated		**376**	461	560	616	915	1,060
Shareholders' equity(3)		**3,823**	3,341	2,275	2,172	1,512	2,368
Total capitalization	$	**7,898**	7,628	6,431	5,837	5,345	6,012
Cash flow data							
Plant, property & equipment additions	$	**759**	1,067	813	572	680	960
Regulated debt additions		**(397)**	(545)	(339)	(288)	(258)	(449)
	$	**362**	522	474	284	422	511
Cash from operations	$	**1,171**	653	425	426	224	460
Net additions (repayments) – non-regulated debt	$	**(366)**	(221)	125	(339)	(125)	(904)
Shares issued(4)	$	**19**	525	22	568	205	7
Dividends	$	**153**	113	98	95	120	155
Data per share							
Net income (loss) from continuing operations – basic	$	**1.47**	1.24	0.47	0.39	0.10(1)	0.62
– fully diluted	$	**1.44**	1.20	0.47	0.39	0.10(1)	0.61
Net income (loss) – basic	$	**1.47**	1.24	0.47	0.39	(2.99)	0.56
– fully diluted	$	**1.44**	1.20	0.47	0.39	(2.99)	0.55
Dividends paid	$	**0.30**	0.24	0.24	0.24	0.45	0.52
Shareholders' equity at year-end(5)	$	**7.96**	6.99	5.40	5.17	4.45	7.54
Market price (TSE) – high	$	**13-3/4**	15	10-1/8	9-1/8	9-1/2	9-3/8
– low	$	**9-1/2**	9-1/8	8-3/8	6-7/8	6-3/8	6-5/8
– close	$	**11**	13	9-3/8	8-3/4	7-1/4	8-5/8
Ratios							
Return on average equity	%	**19.6**	20.5	8.6	8.3	*	7.1
Dividend payout of earnings	%	**21.7**	19.7	51.3	62.5	*	92.8
Dividend yield(6)	%	**2.7**	1.8	2.6	2.7	6.2	6.0
Price/earnings(6)		**7.5**	10.4	20.0	22.4	*	15.4
Long-term debt to equity		**1.1:1**	1.2:1	1.6:1	1.5:1	2.2:1	1.4:1
Funds flow coverage of financial charges and preferred dividends of subsidiary(7)		**3.6**	3.0	2.3	2.3	1.6	2.1
Miscellaneous data							
Shares outstanding – year-end (millions)		**480**	478	407	406	326	300
– average (millions)		**479**	464	407	388	313	299
Shareholders at year-end (thousands)		**33**	34	37	39	41	44
Employees at year-end (thousands)(8)		**5.7**	6.6	6.3	6.3	6.6	9.8

* Not applicable.
(1) Before restructuring charge
(2) Net of cash available for debt repayment. Long-term debt includes current portion of debt and preferred shares of subsidiaries.
(3) Includes convertible debentures and warrants.
(4) 1994 issuance is net of the conversion of the convertible debentures.
(5) Calculation includes the effect from conversion of the convertible debentures and warrants.
(6) Calculated using year-end market prices.
(7) Funds from continuing operations before financial charges divided by total financial charges and subsidiary's preferred share dividend entitlement.
(8) Excludes employees of proportionately consolidated businesses and equity held investments.

Consolidated Statement of Income and Reinvested Earnings

Year ended December 31 (millions of dollars, except for share data)	1995	1994	1993
Revenue	$ 4,482	$ 3,973	$ 3,333
Operating costs and expenses			
Operating expenses	2,895	2,849	2,447
Depreciation	375	358	344
	3,270	3,207	2,791
Operating income	1,212	766	542
Other income (deductions)			
Interest expense (Note 3)	(379)	(343)	(348)
Allowance for funds used during construction	18	18	15
Equity in earnings of affiliates (Note 4)	113	184	29
Other gains (losses) (Note 6)	(9)	142	29
General and corporate	(16)	(27)	(18)
	(273)	(26)	(293)
Income before income taxes and minority interest	939	740	249
Income taxes (Note 7)	(237)	(157)	(47)
Minority interest (Note 8)	–	(8)	(11)
Net income	702	575	191
Reinvested earnings, beginning of year	602	140	57
Excess paid over book value on shares repurchased	–	–	(10)
Less dividends	(153)	(113)	(98)
Reinvested earnings, end of year	$ 1,151	$ 602	$ 140
Average number of shares outstanding (millions)	479	464	407
Net income per share			
Basic	$ 1.47	$ 1.24	$ 0.47
Fully diluted	$ 1.44	$ 1.20	$ 0.47

In 1992, pursuant to a resolution of its shareholders, NOVA reduced the stated share capital by $483 million in order to eliminate the deficit as at December 31, 1991. In 1987, pursuant to a resolution of its Board of Directors and in conjunction with the reorganization of its share capital, NOVA transferred the balance in the contributed surplus account of $227 million to reinvested earnings.

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

December 31 (millions of dollars)	**1995**	1994	1993
Assets			
Current assets			
Cash and cash equivalents	**$ 358**	$ 20	$ 22
Receivables (Note 9)	**538**	681	515
Inventories (Note 10)	**301**	299	314
Assets held for sale (Note 6)	**–**	–	165
	1,197	1,000	1,016
Investments and other assets (Note 4)	**1,238**	1,065	313
Plant, property and equipment, net (Note 11)	**6,840**	6,579	5,922
	$ 9,275	$ 8,644	$ 7,251
Liabilities and Shareholders' Equity			
Current liabilities			
Bank loans (Note 12)	**$ 11**	$ 301	$ 403
Accounts payable and accrued liabilities (Note 13)	**728**	671	569
Long-term debt instalments due within one year (Note 14)	**115**	194	182
	854	1,166	1,154
Long-term debt (Note 14)			
Regulated businesses	**3,585**	3,320	2,907
Non-regulated businesses	**676**	392	488
	4,261	3,712	3,395
Deferred credits (Note 16)	**337**	325	251
Minority interest (Note 8)	**–**	100	176
Convertible debentures and shareholders' equity			
Convertible debentures (Note 15)	**–**	–	150
Shareholders' equity			
Shares and warrants (Note 17)	**2,641**	2,622	1,938
Cumulative translation adjustment (Note 18)	**31**	117	47
Reinvested earnings	**1,151**	602	140
	3,823	3,341	2,275
Contingencies and commitments (Notes 14 and 21)			
	$ 9,275	$ 8,644	$ 7,251

See accompanying notes to consolidated financial statements.

On behalf of the board:

J.E. Newall, O.C.
Director

H.N. Hotchkiss,
Director

Consolidated Statement of Cash Flows

Year ended December 31 (millions of dollars)	1995	1994	1993
Operating activities			
Net income	$ 702	$ 575	$ 191
Depreciation	375	358	344
Deferred income taxes	29	106	27
Equity in earnings of affiliates	(113)	(184)	(29)
Other (gains) losses	9	(142)	(29)
Other	(12)	(8)	(10)
Funds from operations	990	705	494
Changes in non-cash working capital (Note 19)	181	(52)	(69)
Cash from operations	1,171	653	425
Investing activities (Note 19)			
Plant, property and equipment additions	(759)	(1,067)	(813)
Less long-term debt additions related to regulated businesses	397	545	339
	(362)	(522)	(474)
Proceeds on sale of assets (Note 6)	87	323	35
Long-term investments and other assets (Note 19)	(143)	(623)	(180)
Assets exchanged for Methanex common shares	–	104	–
Cash received from long-term investments	42	30	136
Changes in non-cash working capital (Note 19)	(15)	15	(10)
	(391)	(673)	(493)
Financing activities (Note 19)			
Shares issued	19	675	22
Conversion of convertible debentures	–	(150)	–
Long-term debt additions related to non-regulated businesses	666	393	360
Long-term debt repaid	(592)	(612)	(374)
Preferred shares of subsidiary purchased for cancellation	(100)	(76)	(6)
Shares purchased for cancellation	–	–	(22)
Dividends	(153)	(113)	(98)
Changes in current bank loans	(290)	(102)	181
Changes in non-cash working capital (Note 19)	8	3	–
	(442)	18	63
Increase (decrease) in cash and cash equivalents	338	(2)	(5)
Cash and cash equivalents at beginning of year	20	22	27
Cash and cash equivalents at end of year	$ 358	$ 20	$ 22

See accompanying notes to consolidated financial statements

1. Segmented Information

NOVA Corporation (NOVA) is a natural gas services and petrochemicals company. NOVA's operations are managed in three business units:

NOVA Gas Transmission – the regulated natural gas pipeline transmission system in Alberta, Canada.
NOVA Gas International – NOVA's other natural gas transportation, processing and marketing activities.
Petrochemicals – production and marketing of various petrochemical products.

(a) FINANCIAL INFORMATION BY BUSINESS UNIT

December 31 and for the year ended	NOVA Gas Transmission			NOVA Gas International			Petrochemicals		
(millions of dollars)	**1995**	1994	1993	**1995**	1994	1993	**1995**	1994	1993
Income Statement(1)									
Revenue	**$ 1,072**	$ 1,015	$ 902	**$ 401**	$ 307	$ 123	**$ 3,009**	$ 2,651	$ 2,308
Operating expenses	**(451)**	(414)	(359)	**(360)**	(258)	(27)	**(2,084)**	(2,178)	(2,061)
Depreciation	**(167)**	(167)	(154)	**(18)**	(15)	(22)	**(190)**	(175)	(168)
Operating income	**454**	434	389	**23**	34	74	**735**	298	79
Interest expense	**(297)**	(231)	(214)	**(43)**	(49)	(48)	**(51)**	(58)	(90)
Equity in earnings of affiliates	**–**	–	–	**40**	30	9	**73**	154	20
Other income (expense)	**23**	9	(1)	**–**	21	(3)	**(12)**	118	8
Income taxes	**(14)**	(61)	(38)	**11**	(7)	(4)	**(237)**	(100)	(3)
Minority interest	**–**	(8)	(11)	**–**	–	–	**–**	–	–
Net income	**$ 166**	$ 143	$ 125	**$ 31**	$ 29	$ 28	**$ 508**	$ 412	$ 14
Balance Sheet(1)									
Current assets	**$ 130**	$ 152	$ 130	**$ 186**	$ 284	$ 237	**$ 866**	$ 558	$ 652
Investments & other	**27**	25	29	**588**	463	61	**623**	572	223
PP&E(2)	**4,719**	4,295	3,629	**488**	477	460	**1,606**	1,780	1,811
	$ 4,876	$ 4,472	$ 3,788	**$ 1,262**	$ 1,224	$ 758	**$ 3,095**	$ 2,910	$ 2,686
Current liabilities	**$ 199**	$ 185	$ 145	**$ 118**	$ 215	$ 164	**$ 487**	$ 722	$ 699
Long-term debt									
Regulated(3)	**3,137**	2,918	2,523	**254**	263	264	**194**	239	296
Non-regulated	**–**	–	–	**173**	137	73	**503**	255	415
Deferred credits (debits)	**(40)**	(36)	31	**60**	72	61	**309**	279	213
Total liabilities	**3,296**	3,067	2,699	**605**	687	562	**1,493**	1,495	1,623
Net investment	**1,580**	1,405	1,089	**657**	537	196	**1,602**	1,415	1,063
	$ 4,876	$ 4,472	$ 3,788	**$ 1,262**	$ 1,224	$ 758	**$ 3,095**	$ 2,910	$ 2,686
Cash Flow(1)									
Operating activities	**$ 365**	$ 345	$ 296	**$ (9)**	$ (30)	$ 39	**$ 803**	$ 371	$ 84
Investing activities									
PP&E additions	**(584)**	(826)	(522)	**(39)**	(30)	(29)	**(136)**	(204)	(262)
Financed by regulated debt	**397**	545	339	**–**	–	–	**–**	–	–
	(187)	(281)	(183)	**(39)**	(30)	(29)	**(136)**	(204)	(262)
Other	**(15)**	19	(24)	**(81)**	(339)	102	**67**	170	(97)
Cash flow before non-regulated debt and equity financing activities	**$ 163**	$ 83	$ 89	**$ (129)**	$ (399)	$ 112	**$ 734**	$ 337	$ (275)

(1) Amounts are net of inter-company eliminations and exclude corporate and other items.
(2) Plant, property and equipment.
(3) Includes preferred shares of subsidiary.

(b) FINANCIAL INFORMATION BY GEOGRAPHIC AREA

Year ended December 31 (millions of dollars)	1995	1994	1993
Revenue			
Canada	**$ 2,829**	$ 2,856	$ 2,507
United States	**1,287**	946	751
Other	**366**	171	75
	$ 4,482	$ 3,973	$ 3,333
Export sales from Canadian operations			
United States	**$ 983**	$ 802	$ 527
Other	**168**	77	176
	$ 1,151	$ 879	$ 703
Operating income (loss)(1)			
Canada	**$ 1,174**	$ 774	$ 553
United States	**38**	(8)	(11)
	$ 1,212	$ 766	$ 542
Equity in earnings of affiliates(1)			
Canada	**$ 36**	$ 69	$ 14
United States	**21**	38	6
Other	**56**	77	9
	$ 113	$ 184	$ 29
Assets(1)			
Canada	**$ 8,436**	$ 7,761	$ 6,746
United States	**623**	706	441
Other	**216**	177	64
	$ 9,275	$ 8,644	$ 7,251

(1) Based on location of operating facilities.

2. Accounting Policies

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of NOVA Corporation, its subsidiaries, and its proportionate share of the accounts of its joint ventures. They have been prepared by management on the historical cost basis in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards. Preparation of these consolidated financial statements requires estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Actual results could differ from those estimates. All amounts are reported in Canadian dollars unless otherwise indicated.

REGULATED ACTIVITIES

Most of NOVA's natural gas transmission activities are regulated by various authorities including the Energy and Utilities Board (of Alberta) for the NOVA Gas Transmission pipeline system, the National Energy Board (of Canada) for the Foothills Pipe Lines system, and other foreign authorities for some of NOVA's international pipeline investments. These regulators exercise authority over various matters including accounting practices and toll setting. A portion of NOVA's Alberta ethylene petrochemicals business is regulated in a similar manner through contractual agreements with customers.

The billing system for regulated operations provides NOVA with revenues sufficient to recover all reasonable and necessary expenses of providing the services or products and provide a specified return on investment. In order to achieve proper matching of revenues and expenses certain items may be recognized in different periods than would be expected under generally accepted accounting principles for non-regulated activities.

CASH AND CASH EQUIVALENTS

NOVA's short-term investments are considered to be cash equivalents and are recorded at cost, which approximates current market value.

INVENTORIES

Inventories are carried at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis with no allocation of fixed production overhead.

JOINT VENTURES

In 1995, NOVA retroactively adopted the proportionate consolidation method of accounting for its investments in joint venture operations in accordance with the new requirements of the Canadian Institute of Chartered Accountants. A joint venture is an economic activity in which NOVA and its co-venturers have agreed to jointly share, on a continuing basis, the power to determine the venture's strategic operating, investing and financing policies. Under the proportionate consolidation method, NOVA records, on a line-by-line basis within its financial statements and notes, its proportionate share of the joint venture's assets, liabilities, revenues, expenses and cash flows. This method does not result in any change to net income or shareholders' equity from that previously reported using the equity method.

INVESTMENTS

Investments in affiliates in which NOVA exercises significant influence, but not control, are accounted for by the equity method. Under this method, the investment is carried at cost plus the related share of undistributed earnings. Other investments are carried at cost.

PLANT, PROPERTY AND EQUIPMENT (PP&E)

NOVA's PP&E consists primarily of pipe, compressor stations and meter stations for transporting natural gas and manufacturing equipment, land, and buildings for producing petrochemicals. PP&E is carried at cost and financing costs incurred during major construction are capitalized as part of the cost of the asset. Future removal and site restoration costs are provided for on a straight-line basis over the expected remaining economic lives of the assets when the costs can be reasonably determined.

DEPRECIATION

Plant and equipment are depreciated on the straight-line basis at annual rates varying from 2% to 33%. These rates are designed to write these assets off over their estimated useful lives.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

For regulated businesses, a return on capital invested in new facilities under construction is recoverable from customers and is included in income.

INCOME TAXES

Regulated activities operate under billing structures that allow NOVA to recover related income tax costs from customers based on the taxes payable method. NOVA records income tax expenses on these operations equal to the recoverable amounts. For non-regulated operations, the deferral method of tax allocation accounting is followed.

PENSION PLANS

The cost of pension benefits earned by employees is determined using the projected benefit method pro-rated on services and is expensed as the employees provide services. It reflects management's best estimates of the expected investment yields, salary escalation, mortality rates, terminations and members' retirement ages. Adjustments arising from plan amendments, experience gains and losses, and changes in assumptions are amortized on a straight-line basis over the estimated average remaining service lives of the employee groups. The adjusted market value of pension plan assets is determined based on a four-year moving average of pension plan asset market values.

POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

NOVA provides medical care and life insurance benefits to eligible retirees and their dependants. Post-retirement benefit costs are expensed as the employees provide services.

FOREIGN CURRENCY TRANSLATION

NOVA's foreign operations are considered self-sustaining and are translated into Canadian dollars using the current rate method. Resulting translation gains or losses are deferred in a separate component of shareholders' equity titled "Cumulative translation adjustment," until there is a realized reduction of the investment in the foreign operation.

Foreign denominated long-term monetary items, principally long-term debt, are translated at the current rate of exchange. For regulated operations, the exchange differential is recoverable from customers and is reported as a reduction of or addition to the associated long-term monetary item. For non-regulated operations, the unrealized translation gains or losses are deferred and amortized over the remaining lives of the related items.

HEDGING ACTIVITY

NOVA enters into forward contracts and options as hedges against changes in commodity prices or foreign exchange rates. Gains or losses on the hedging instruments are recognized when the hedged transactions occur. They offset the effects of changes in commodity purchase prices or foreign exchange gains or losses on foreign cash flow.

NOVA also enters into interest rate swap agreements to manage interest rate risk. The differential to be paid or received is accrued as interest rates change and is recognized over the lives of the agreements.

COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. Interest Expense

Year ended December 31 (millions of dollars)	**1995**	1994	1993
Interest on long-term debt	**$ 369**	$ 312	$ 330
Interest on current obligations	**20**	29	15
Interest on convertible debentures	**–**	6	9
Interest income	**(10)**	(4)	(6)
	$ 379	$ 343	$ 348

4. Investments and Other Assets

Investments are accounted for using the equity method:

December 31 and for the year ended (millions of dollars)	1995		1994		1993	
	Investment	**Equity in earnings of affiliates**	Investment	Equity in earnings of affiliates	Investment	Equity in earnings of affiliates
NOVA Gas International investments						
NGC Corporation(1)	**$ 373**	**$ 15**	$ 279	$ 13	$ –	$ –
Other	**215**	**25**	182	17	59	9
	588	**40**	461	30	59	9
Petrochemicals investments						
Methanex Corporation	**569**	**58**	507	134	160	–
Other	**54**	**15**	61	20	65	20
	623	**73**	568	154	225	20
Other assets	**27**	**–**	36	–	29	–
	$ 1,238	**$ 113**	$ 1,065	$ 184	$ 313	$ 29

(1) The 1995 results reflect NOVA's 33.3% equity interest in NGC Corporation which was formed by combining Natural Gas Clearinghouse with Trident NGL Holding, Inc. The 1994 results reflect NOVA's 39.1% partnership interest in Natural Gas Clearinghouse. As Natural Gas Clearinghouse was a partnership, income taxes were the responsibility of the partners and as a result 1994 equity in earnings does not include a provision for income taxes.

Dividends and distributions received from affiliated companies were $42 million (1994 – $30 million, 1993 – $136 million).

(a) NOVA GAS INTERNATIONAL INVESTMENTS

NGC Corporation

During 1994, NOVA acquired a 39.1% interest in Natural Gas Clearinghouse, a U.S. gas services partnership with investments in natural gas marketing, gathering and processing facilities. In March 1995, Natural Gas Clearinghouse combined with Trident NGL Holding, Inc. NOVA has a 33.3% interest in the new company, NGC Corporation (NGC) (see Note 19 (c)). NOVA also has contingent stock rights issued in connection with the combination that could potentially increase NOVA's ownership in NGC to 35.5% The shares will be issued no later than June 23, 1996.

The market value of NOVA's investment in NGC's shares at December 31, 1995 was approximately $445 million. The following is summarized financial information for NGC for 1995 and Natural Gas Clearinghouse for 1994. As Natural Gas Clearinghouse was a partnership, income taxes were the responsibility of the partners. Accordingly, Natural Gas Clearinghouse's net income did not include a provision for income taxes.

NGC CORPORATION

(millions of dollars)(1)	1995	1994
Year ended December 31		
Revenue	**$ 5,059**	$ 4,521
Operating expenses and depreciation	**$ 4,947**	$ 4,394
Net income(2)	**$ 64**	$ 59
December 31		
Current assets	**$ 1,041**	$ 628
Property, plant and equipment and other assets(2)	**1,491**	278
Current liabilities	**(963)**	(570)
Long-term liabilities	**(879)**	(123)
Shareholders' equity(2)	**$ 690**	$ 213

(1) NGC accounts for its operations in U.S. dollars. As NGC's operations are self-sustaining they are translated into Canadian dollars using the current rate method.

(2) These accounts have been adjusted to conform with Canadian accounting principles.

Other NOVA Gas International investments

Other investments as at December 31, 1995 include: a 50% interest in Pan-Alberta Resources Inc., which owns a 50% interest in a natural gas liquids extraction plant in Alberta (December 31, 1994 and 1993 – 50%); a 20.6% interest in GasInvest S.A., which owns 70% of the northern segment of Argentina's natural gas pipeline system (December 31, 1994 – 20.6% and 1993 – 16.2%); a 25% interest in the Moomba-Sydney pipeline in Australia (December 31, 1994 – 25%); a 40% interest in a Malaysian-based partnership providing project management and engineering services in Asia (December 31, 1994 and 1993 – 40%); and a 56.5% interest in the GasAndes pipeline project in Chile.

(b) PETROCHEMICALS INVESTMENTS

Methanex Corporation

NOVA owns 24.8% of Methanex Corporation as at December 31, 1995 (December 31, 1994 – 24.1% and 1993 – 9%) (see Note 19(c)). Methanex produces and markets chemical grade methanol and synthetic gasoline. The market value of NOVA's investment in Methanex shares at December 31, 1995 was approximately $469 million (1994 – $857 million and 1993 – $161 million). The following is summarized financial information for Methanex.

METHANEX CORPORATION

(millions of dollars)[1]	1995	1994
Year ended December 31		
Revenue	**$ 1,715**	$ 2,030
Operating expenses and depreciation	**$ 1,299**	$ 1,298
Net income	**$ 275**	$ 604
December 31		
Current assets	**$ 850**	$ 915
Property, plant and equipment and other assets	**1,573**	1,453
Current liabilities	**(191)**	(338)
Long-term liabilities	**(676)**	(616)
Shareholders' equity	**$ 1,556**	$ 1,414

(1) Methanex accounts for its operations in U.S. dollars. As Methanex's operations are self-sustaining they are translated into Canadian dollars using the current rate method.

Other petrochemicals investments

Other investments as at December 31, 1995, 1994 and 1993 include a 20% interest in the Cochin pipeline, which transports ethane, ethylene and other products from Alberta to markets in Ontario and the United States; a 50% interest in the Fort Saskatchewan Ethylene Storage Limited Partnership; a 33.3% interest in an ethane gathering system in Alberta; and a 50% interest in the Catalytic Distillation Technologies Partnership which develops and sells technology, principally to the refining industry, and is located in Texas. Also included in 1994 and 1993 is a 42% interest in Shincor Silicones, Inc., a silicone plant operator, which NOVA sold in 1995 (see Note 6).

(c) OTHER ASSETS

Other assets include deferred debt issue costs which are being amortized over the terms of the related debt instruments.

(d) PURCHASE PRICE EXCESS

The cost of certain investments exceeded NOVA's share of their underlying net book values at their acquisition dates. At December 31, the unamortized purchase price excesses were as follows:

December 31 (millions of dollars)	1995	1994
NGC Corporation[1]	**$ 157**	$ 195
Methanex Corporation[2]	**$ 179**	$ 174

(1) The purchase price excess is allocated to goodwill and is amortized over 20 years.

(2) The purchase price excess is allocated to plant, property and equipment and is amortized over 20 years.

5. Joint Ventures

NOVA uses the proportionate consolidation method to account for its investments in joint ventures.

FOOTHILLS PIPE LINES LTD. (FOOTHILLS)

Foothills is responsible for planning, constructing and operating the Canadian segment of the Alaska Natural Gas Transportation System. It is jointly controlled by NOVA and Westcoast Energy Inc. NOVA's ownership in Foothills at December 31, 1995, 1994 and 1993 is 50%. At these dates, NOVA also has a 49% direct ownership interest in Foothills Pipe Lines (Alta.) Ltd., a subsidiary of Foothills. During 1995, Foothills billed NOVA Gas Transmission $84 million for natural gas transportation services (1994 – $74 million, 1993 – $66 million).

NOVAGAS CLEARINGHOUSE LIMITED PARTNERSHIP (NCL)

NCL is a Canadian natural gas services joint venture enterprise that was established in 1994 and is jointly controlled by NOVA and its affiliate, NGC. NCL has investments in natural gas marketing, gathering and processing facilities. NOVA's direct ownership in NCL at December 31, 1995 and 1994 is 50.01%. During 1995, NOVA Gas Transmission billed NCL $127 million for natural gas transportation services.

TQM PIPELINE PARTNERSHIP (TQM)

NOVA's 50% partnership interest in TQM was sold in January 1994. As at December 31, 1993, NOVA's net investment in TQM was presented on the balance sheet as a net amount under the caption "Assets held for sale." NOVA's proportionate share of TQM's 1993 income and cash flow statement accounts are included on a line-by-line basis in the corresponding NOVA statements.

The following is summarized, combined financial information relating to NOVA's proportionate interest in joint ventures unadjusted for transactions between the joint ventures and related NOVA parties.

PROPORTIONATE SHARE OF JOINT VENTURES' FINANCIAL INFORMATION

(millions of dollars)	1995	1994	1993
Year ended December 31			
Revenue	$ 436	$ 307	$ 110
Operating expenses and depreciation	$ 381	$ 251	$ 52
Net income	$ 23	$ 22	$ 20
Cash flows from:			
Operating activities	$ 22	$ 45	$ 50
Investing activities	$ (48)	$ (49)	$ 63
Financing activities	$ 23	$ 2	$ (115)
December 31			
Current assets	$ 151	$ 77	$ 24
Property, plant and equipment	473	458	441
Investments and other assets	17	6	7
Current liabilities	(98)	(63)	(3)
Long-term debt	(276)	(263)	(264)
Deferred credits	(65)	(61)	(61)
Shareholders' equity	$ 202	$ 154	$ 144

6. Other Gains (Losses)

(millions of dollars)	Gain (loss) on sale before tax	Gain (loss) on sale after tax	Proceeds
Year ended December 31, 1995			
Sale of polypropylene business[1]	$ (48)	$ (31)	$ 60
Sale of 50% interest in Pan-Alberta Gas Ltd.	–	–	19
Foreign exchange gain on dividends received from subsidiary	40	42	–
Other[2]	(1)	(1)	8
	$ (9)	$ 10	$ 87
Year ended December 31, 1994			
Sale of 50% interest in TQM Pipeline Partnership[3]	$ 20	$ –	$ 52
Sale of Novalta Resources Inc.[4]	120	120	265
Other	2	1	6
	$ 142	$ 121	$ 323
Year ended December 31, 1993			
Sale of 31.7% interest in Grove Italia S.p.A.	$ 25	$ 25	$ 25
Other	4	4	10
	$ 29	$ 29	$ 35

(1) The before tax loss is net of a $5 million gain on the realization of cumulative translation adjustment.

(2) Includes the sale of NOVA's 42% interest in Shincor Silicones, Inc.

(3) The $32 million TQM Pipeline Partnership interest was classified as an asset held for sale as at December 31, 1993 and was sold in January 1994.

(4) The plant, property and equipment of Novalta ($133 million) was classified as an asset held for sale as at December 31, 1993 and was sold in January 1994.

7. Income Taxes

Income tax expense varies from amounts computed by applying the Canadian federal and provincial statutory income tax rates to income before income taxes as shown in the following table:

Year ended December 31 (millions of dollars)	1995	1994	1993
Statutory income tax rate	44.6%	44.3%	44.3%
Income before income taxes and minority interest	$ 939	$ 740	$ 249
Computed income tax expense	$ 419	$ 328	$ 110
Increase (decrease) in taxes resulting from:			
Lower effective foreign tax rates	(29)	(16)	(6)
Non-provision of deferred income taxes on regulated operations[1]	(29)	(25)	(32)
Refund of previously collected deferred taxes of regulated business	(21)	–	–
Manufacturing and processing deduction	(48)	(21)	(3)
Non-taxable equity in earnings of affiliates	(39)	(68)	(7)
Non-taxable AFUDC	(8)	(8)	(6)
Non-taxable portion of gains on sale of assets	(5)	(42)	(13)
Other	(3)	9	4
Income tax expense	$ 237	$ 157	$ 47
Current income taxes	$ 208	$ 51	$ 20
Deferred income taxes[2]	29	106	27
Income tax expense	$ 237	$ 157	$ 47

(1) NOVA's regulated operations recover income tax costs from customers. NOVA records income tax expense on these operations equal to the recoverable amounts and therefore, there is no effect on net income. In most cases, the recoverable amount is limited to current taxes payable. Accordingly, the provision for income taxes excludes deferred income tax expense relating to these operations. Cumulative unrecorded deferred income taxes payable amounted to $481 million at December 31, 1995 (1994 – $431 million, 1993 – $406 million).

(2) The principal timing difference in calculating deferred income taxes, for both regulated and non-regulated operations, relates to tax deductions for plant, property and equipment in excess of depreciation.

INCOME TAX EXPENSE BY LOCATION

Year ended December 31 (millions of dollars)	1995	1994	1993
Income before taxes			
Canada	$ 818	$ 680	$ 206
Foreign	121	60	43
	$ 939	$ 740	$ 249
Current income taxes			
Canada	$ 207	$ 50	$ 18
Foreign	1	1	2
	$ 208	$ 51	$ 20
Deferred income taxes			
Canada	$ 33	$ 93	$ 27
Foreign	(4)	13	–
	$ 29	$ 106	$ 27

8. Minority Interest

On May 10, 1994, NOVA Corporation of Alberta (Old NOVA) completed a corporate reorganization. Holders of common shares in Old NOVA exchanged their shares for common shares in NOVA. As a result, NOVA replaced Old NOVA as the parent company. As these financial statements have been prepared using the continuity of interest method of accounting, no changes were made to the assets, liabilities or operations of the consolidated entity except that the preferred shares of Old NOVA became the preferred shares of its subsidiary, NOVA Gas Transmission Ltd. These preferred shares and related dividends are presented as minority interest in these financial statements.

On August 15, 1994, NOVA Gas Transmission redeemed a portion of its outstanding preferred shares for a cost of $76 million. On February 15, 1995, all of the remaining preferred shares were redeemed for a cost of $100 million.

9. Receivables

December 31 (millions of dollars)	1995	1994	1993
Trade	$ 438	$ 628	$ 447
Other	109	60	75
Allowance for doubtful accounts	(9)	(7)	(7)
	$ 538	$ 681	$ 515

NOVA sells trade receivables to certain financial institutions on a revolving basis to certain limits. Recourse to NOVA is limited to a maximum of 10% of the amount outstanding at any point in time. At December 31, 1995, trade receivables sold amounted to $93 million (1994 – $77 million, 1993 – $70 million).

10. Inventories

December 31 (millions of dollars)	1995	1994	1993
Materials and supplies	$ 63	$ 88	$ 97
Raw materials	91	95	91
Work in process	5	4	6
Finished goods	142	112	120
	$ 301	$ 299	$ 314

11. Plant, Property and Equipment

December 31 (millions of dollars)		1995	1994	1993
Cost				
NOVA Gas Transmission		$ 6,073	$ 5,538	$ 4,780
NOVA Gas International		735	718	681
Petrochemicals		2,818	2,889	2,789
Other		37	33	27
		$ 9,663	$ 9,178	$ 8,277
Accumulated depreciation	Rate[1]			
NOVA Gas Transmission	3%	$ 1,354	$ 1,243	$ 1,151
NOVA Gas International	3%	247	241	220
Petrochemicals	7%	1,212	1,110	979
Other	3%	10	5	5
		$ 2,823	$ 2,599	$ 2,355
Net Book Value				
NOVA Gas Transmission		$ 4,719	$ 4,295	$ 3,629
NOVA Gas International		488	477	461
Petrochemicals		1,606	1,779	1,810
Other		27	28	22
		$ 6,840	$ 6,579	$ 5,922

(1) Weighted average depreciation rate.

12. Current Bank Loans

Current bank loans include loans of $11 million (1994 – $284 million, 1993 – $280 million) which are secured by certain property, plant and equipment and other assets and agreements. The weighted average interest rate on current bank loans was 7.5% (1994 – 5.4%, 1993 – 5.3%).

13. Accounts Payable and Accrued Liabilities

December 31 (millions of dollars)	1995	1994	1993
Accounts payable			
Trade	$ 356	$ 424	$ 337
Other	37	46	27
	393	470	364
Accrued liabilities			
Interest	72	69	77
Site cleanup and restoration (current portion)	7	4	3
Other	67	70	70
	146	143	150
Income taxes payable	150	27	27
Dividends payable	39	31	28
	$ 728	$ 671	$ 569

14. Long-term Debt

December 31 (millions of dollars)	1995			1994		1993	
	Maturity	**Amount**	**Average interest rate**	Amount	Average interest rate	Amount	Average interest rate
NOVA Gas Transmission[1,2]							
Unsecured debentures and term notes	**1996 to 2026**	**$ 1,695**	**10.1 %**	$ 1,385	10.5 %	$ 1,356	11.2 %
Unsecured debentures and term notes ($U.S.)	**1997 to 2025**	**1,489**	**8.1 %**	1,538	8.4 %	1,264	8.7 %
Unsecured bank loans and notes[3]		**150**	**6.1 %**	139	6.9 %	214	4.4 %
		3,334		3,062		2,834	
Exchange differential recoverable from customers through the toll making process		**(134)**		(170)		(93)	
		3,200		2,892		2,741	
Other							
Secured loans and notes for ethylene plants I and II ($U.S.)	**1998 to 2004**	**294**	**6.9 %**	361	7.1 %	396	6.5 %
Exchange differential recoverable from customers through the contractual billing process		**(26)**		(43)		(27)	
		268		318		369	
Other secured loans		**–**		128	6.6 %	203	5.0 %
Unsecured loans[3]		**153**	**6.4 %**	305	6.7 %	–	
Unsecured debentures and notes ($U.S.)	**2000 to 2025**	**479**	**6.8 %**	–		–	
		900		751		572	
Joint venture loans[3]		**276**	**7.5 %**	263	8.0 %	264	5.5 %
		4,376		3,906		3,577	
Less instalments due within one year		**(115)**		(194)		(182)	
		$ 4,261		$ 3,712		$ 3,395	
Regulated[4]		**$ 3,585**		$ 3,320		$ 2,907	
Non-regulated		**676**		392		488	
		$ 4,261		$ 3,712		$ 3,395	

(1) As at December 31, 1995 and 1994, all unsecured debentures and term notes listed under NOVA Gas Transmission are included in that business's regulated debt.
(2) Interest rate swap agreements have been made on certain of these notes (see Note 22(b)). The weighted average interest rate includes the effects of the swap.
(3) Amounts have been borrowed in accordance with the lines of credit and can be replaced with other long-term debt instruments
(4) Long-term debt classified as regulated debt represents the debt component of the capital structure for the investment base of NOVA's regulated operations. These regulated operations bill their customers under arrangements that include an assured return to provide for the repayment of the debt and related interest expense. Realized foreign exchange gains or losses on such debt are also refunded or billed to the customer

ETHYLENE PLANTS I AND II

Ethylene plant financings are secured by first fixed charges on the respective plants and related assets. Certain related ethylene contracts have also been assigned.

SINKING FUND AND REPAYMENT REQUIREMENTS

Sinking fund and repayment requirements in respect of long-term debt for the five years following December 31, 1995 are: 1996 – $115 million; 1997 – $137 million; 1998 – $168 million; 1999 – $369 million and 2000 – $457 million. The 1996 requirement excludes $100 million of debt that will be refinanced in 1996 with long-term funding.

JOINT VENTURE DEBT

All of the debt from joint ventures is non-recourse to NOVA. The debt is secured by the rights and assets of the joint ventures. Joint venture debt holders have no claim against the rights and assets of NOVA, except to the extent of NOVA's investment in the joint ventures.

LINES OF CREDIT

NOVA has credit facilities with various banks that allow unsecured borrowing of up to $2.0 billion at floating rates. The facilities are available for general purposes and to support commercial paper borrowings of the regulated pipeline operations. NOVA may borrow in Canadian and U.S. currencies at interest rates related to Canadian and U.S. prime rates or the London Inter Bank Offered Rates. Approximately $1.2 billion of the facilities are renewable at NOVA's request at least every 363 days. If these facilities are not renewed the outstanding balances become repayable within periods ranging from one to four years. The remaining credit facilities expire between February 1996 and December 1998. At December 31, 1995 approximately $1.5 billion of the credit facilities were unutilized.

15. Convertible Debentures

In 1994, the 1987 Adjustable Rate Convertible Subordinated Debentures, which paid a minimum interest rate of 6-1/4% per annum, were converted into 14,018,691 shares.

16. Deferred Credits

December 31 (millions of dollars)	1995	1994	1993
Deferred income taxes	**$ 251**	$ 229	$ 154
Site cleanup and restoration (long-term portion)	**63**	59	54
Other	**23**	37	43
	$ 337	$ 325	$ 251

Other deferred credits include a deferred gain from the sale and leaseback of NOVA Gas Transmission's head office building, pension and post-retirement benefit accruals, and for 1994 and 1993, long-term costs associated with restructuring.

In 1994 Pan-Alberta Gas Ltd., a wholly owned subsidiary of NCL, received amounts on behalf of its customers in connection with long-term contracts to supply natural gas. The amounts are held in trust and are being paid to the customers over a six-year period. The amounts held in trust have been netted against the obligation to repay the customers. NOVA's proportionate share of the amounts at December 31,1995 was $72 million (1994 – $111 million).

17. Shares and Warrants

(a) AUTHORIZED

Unlimited number of voting common shares (shares) without par value.

5,000,000 warrants.

(b) ISSUED AND OUTSTANDING

December 31	1995	1994	1993	1995	1994	1993
	(number of shares and warrants)			(millions of dollars)		
Shares	**480,021,630**	478,172,048	406,724,952	**$ 2,641**	$ 2,622	$ 1,937
Warrants	**7,600**	10,600	28,100	**–**	–	1
				$ 2,641	$ 2,622	$ 1,938

(c) SHARES ISSUED

Changes in the share capital for the three years ended December 31, 1995, are summarized as follows:

Year ended December 31	1995	1994	1993	1995	1994	1993
	(number of shares)			(millions of dollars)		
Beginning of year	**478,172,048**	406,724,952	406,280,031	**$ 2,622**	$ 1,937	$ 1,927
For cash	**140,100**	52,598,228	–	**2**	492	–
For cash under DRSPP(1)	**468,257**	442,702	508,218	**5**	5	5
On exercise of warrants(2)	**9,000**	52,500	32,325	**–**	–	–
On conversion of convertible debentures (Note 15)	**–**	14,018,691	–	**–**	150	–
For cash on exercise of stock options	**1,232,225**	4,334,975	2,404,378	**12**	38	17
Repurchased for cash	**–**	–	(2,500,000)	**–**	–	(12)
End of year	**480,021,630**	478,172,048	406,724,952	**$ 2,641**	$ 2,622	$ 1,937

(1) Dividend Reinvestment and Share Purchase Plan (DRSPP).

(2) During 1995, 3,000 warrants were exercised (1994 – 17,500 warrants, 1993 – 10,775 warrants).

(d) SHARES RESERVED FOR FUTURE ISSUE

December 31	1995
	(number of shares)
Under the DRSPP	**1,447,213**
For exercise of warrants	**22,800**
Under the incentive stock option plan (1982)[1]	**13,518,475**
	14,988,488

(1) Under the incentive stock option plan (1982), options are outstanding to officers and employees to purchase 11,230,150 shares at prices ranging from $6.875 to $12.67 per share with expiration dates between January 26, 1996 to March 2, 2005 and 2,288,325 shares are reserved but unallocated.

(e) OPTIONS

	Number of shares	Exercise prices
Outstanding at Dec. 31, 1992	12,871,725	$ 6.820 – $12.670
Granted	2,305,500	$ 8.625 – $ 9.250
Exercised	(2,404,325)	$ 6.820 – $ 8.625
Cancelled or expired	(161,875)	$ 8.500 – $11.450
Outstanding at Dec. 31, 1993	12,611,025	$ 6.875 – $12.670
Granted	2,645,500	$ 9.250 – $12.375
Exercised	(4,334,975)	$ 7.630 – $12.670
Cancelled or expired	(350,050)	$ 8.500 – $12.670
Outstanding at Dec. 31, 1994	10,571,500	$ 6.875 – $12.670
Granted	2,283,500	$11.125
Exercised	(1,232,225)	$ 7.630 – $11.450
Cancelled or expired	(392,625)	$ 8.625 – $11.450
Outstanding at Dec. 31, 1995	11,230,150	$ 6.875 – $12.670

Options may be exercised over a ten-year period and generally one-quarter of the options vest at the grant date with further vesting of one-quarter per year for the next three years.

(f) WARRANTS

The warrants were issued in 1986 at a price of $15.00 per warrant. Each warrant entitles the holder at his or her option to obtain on exercise three NOVA Corporation shares at any time before July 31, 1996, or either one no par value first preferred share of NOVA Gas Transmission Ltd. or one no par value second preferred share of NOVA Gas Transmission Ltd. from August 1, 1991 to July 31, 1996. NOVA may purchase for cancellation any or all of the warrants outstanding in the markets.

(g) SHAREHOLDER RIGHTS PLAN

In May 1994, NOVA's shareholders approved a shareholder rights plan where one right was issued for each outstanding common share. The rights remain attached to the shares and are not exercisable until the commencement or announcement of a take-over bid for NOVA's common shares, or a person acquires 15% or more of NOVA's common shares. The plan expires in May 1999.

(h) FULLY DILUTED EARNINGS PER SHARE

For the purpose of calculating fully diluted earnings per share, net income was increased by $5 million (1994 – $4 million, 1993 – $10 million). The increase represents imputed after-tax earnings on the cash that would have been received on an assumed exercise of options and warrants based on an assumed after-tax rate of return of 4.5% (1994 and 1993 – 4.5%) and the after-tax interest expense on convertible debentures.

18. Cumulative Translation Adjustment (CTA)

The cumulative translation adjustment represents the net unrealized foreign currency translation gain on NOVA's net investment in self-sustaining foreign operations.

Year ended December 31 (millions of dollars)	1995	1994	1993
Beginning of year	**$ 117**	$ 47	$ 37
Effect of changes in exchange rates during the year on:			
Consolidated operations	**(30)**	54	10
Equity accounted investments	**(11)**	16	–
Gain realized on the reduction of the net investment in foreign subsidiaries	**(45)**	–	–
End of year	**$ 31**	$ 117	$ 47

19. Operating, Investing and Financing Activities

(a) CHANGES IN NON-CASH WORKING CAPITAL

Year ended December 31 (millions of dollars)	1995	1994	1993
Receivables	**$ 143**	$ (166)	$ (49)
Inventories	**(2)**	15	(25)
Assets held for sale	**–**	165	(165)
Accounts payable and accrued liabilities	**57**	103	28
Changes in non-cash working capital	**198**	117	(211)
Reclassification and other items not having a cash effect:			
Assets held for sale	**–**	(146)	146
Other items	**(24)**	(5)	(14)
Changes in non-cash working capital having a cash effect	**$ 174**	$ (34)	$ (79)
These changes relate to the following activities:			
Operating	**$ 181**	$ (52)	$ (69)
Investing	**(15)**	15	(10)
Financing	**8**	3	–
	$ 174	$ (34)	$ (79)

(b) GROSS INVESTING AND FINANCING ACTIVITIES

Year ended December 31 (millions of dollars)	1995	1994	1993
Investing activities per statement of cash flows	**$ (391)**	$ (673)	$ (493)
Add back regulated long-term debt additions	**(397)**	(545)	(339)
Gross investing activities	**$ (788)**	$(1,218)	$ (832)
Financing activities per statement of cash flows	**$ (442)**	$ 18	$ 63
Add back regulated long-term debt additions	**397**	545	339
Gross financing activities	**$ (45)**	$ 563	$ 402

(c) LONG-TERM INVESTMENT ACTIVITIES

Expenditures were made on the following long-term investments:

Year ended December 31 (millions of dollars)	1995	1994	1993
Methanex Corporation[1]	**$ 8**	$ 223	$ 160
NGC Corporation[2]	**95**	246	–
Interest in Moomba-Sydney pipeline in Australia through ownership interest in GasInvest Australia Pty Ltd.	**–**	72	–
Interest in pipeline in Argentina through ownership interest in GasInvest S.A.	**–**	20	–
Pan-Alberta Gas Ltd.	**–**	19	–
GasAndes pipeline project	**37**	–	–
Other	**3**	43	20
	$ 143	$ 623	$ 180

(1) Includes the cost of NOVA's methanol assets ($104 million) that were exchanged in 1994 for Methanex common shares. No gain or loss was recognized on the exchange of the methanol assets.

(2) The 1994 investment was made in Natural Gas Clearinghouse, a predecessor of NGC Corporation.

(d) INTEREST AND INCOME TAXES PAID

Interest paid during 1995 amounted to $376 million (1994 – $351 million, 1993 – $349 million). Income taxes paid during 1995 amounted to $94 million (1994 – $57 million, 1993 – $21 million).

20. Post-retirement Benefits

(a) PENSION PLANS

NOVA's pension plans cover substantially all employees. Pensions at retirement are related to years of service and remuneration during the last years of employment and are partially indexed to inflation.The cost of pension benefits earned by employees is determined using the projected benefit method pro-rated on services and is expensed as the employees provide services. Actuarial reports are prepared regularly by independent actuaries for accounting and funding purposes. NOVA funds the plan using the projected unit credit method and the plan's assets consist primarily of publicly traded equity and fixed income securities. The assumed future rates of return on assets and the discount rates used to determine the estimated projected benefit obligations of the plans were 8% for 1995, 1994 and 1993. The assumed long-term salary and wage escalation rates, including merit increases, averaged 5.5% for 1995, 1994 and 1993.

Pension expense consisted of the following:

Year ended December 31 (millions of dollars)	1995	1994	1993
Current service costs	**$ 24**	$ 22	$ 22
Interest cost on projected benefit obligations	**41**	36	33
Return on assets	**(38)**	(31)	(30)
Net total of other components	**2**	(2)	1
Pension expense	**29**	25	26
Amounts recoverable under regulated tolls	**(12)**	(10)	(9)
	$ 17	$ 15	$ 17

The status of the pension plans is as follows:

December 31 (millions of dollars)	1995	1994	1993
Estimated obligations			
Projected benefits based on service to date and present remuneration	**$ 374**	$ 352	$ 313
Additional amounts related to projected salary and wage increases	**164**	154	142
Total projected benefit obligations	**538**	506	455
Assets available at adjusted market value	**510**	450	426
Deficiency on an accounting basis	**$ (28)**	$ (56)	$ (29)

The adjusted market value of plan assets is determined on a four-year moving average basis. Based on year-end market values, NOVA's pension plan assets at December 31, 1995, amounted to $552 million (1994 – $478 million, 1993 – $472 million).

(b) POST-RETIREMENT BENEFITS OTHER THAN PENSIONS
NOVA provides medical care and life insurance benefits to eligible retirees and their dependants. Post-retirement costs are funded as they are incurred. The assumed long-term salary and wage escalation rates, including merit increases, averaged 5.5% for 1995, 1994 and 1993. Long-term medical inflation was assumed to be 5.5% (1994 and 1993 – 6%) and the discount rate used to calculate the accumulated post-retirement benefit obligations was 8% for 1995, 1994 and 1993. A 1% increase in the medical inflation rate would have increased the accumulated post-retirement benefit obligation by an additional $5 million at December 31, 1995.

NOVA accrues the cost of providing post-retirement benefits as the employees provide services. Prior to 1993, the cost of providing pension benefits was expensed when paid. The change to the accrual method was applied prospectively and resulted in an accumulated unrecorded post-retirement benefit obligation. This obligation is being recognized over the expected average remaining service lifetime of the employees, which is 16 years. At December 31,1995, the unrecorded obligation is approximately $35 million (1994 – $40 million, 1993 – $37 million).

Post-retirement benefit expenses consist of the following:

Year ended December 31 (millions of dollars)	**1995**	1994	1993
Current service costs	**$ 1**	$ 2	$ 2
Interest costs on accumulated post-retirement obligations	**3**	3	3
Net total of other components	**2**	2	2
Post-retirement benefit expense	**6**	7	7
Amounts recoverable under regulated tolls	**(2)**	(2)	(2)
	$ 4	$ 5	$ 5

21. Contingencies and Commitments

(a) NOVA leases office space, data-processing and transportation equipment under various operating leases. The minimum lease payments, net of recoveries from regulated operations and sub-leases, are approximately $51 million in 1995, $46 million in 1996, $34 million in 1997, $25 million in 1998, $14 million in 1999, $4 million in 2000 and $nil thereafter.

(b) The sale and leaseback agreement for the NOVA Gas Transmission head office building provided that, on or before January 1, 1995, NOVA Gas Transmission would offer to purchase the building for $157 million when the lease expires on December 31,1997. An offer to purchase the building was made on December 19, 1994.

(c) In January 1996, NOVA committed to loan $161 million to a non-affiliated company on February 12, 1996. The non-affiliated company holds the First Mortgage Bond on the NOVA Gas Transmission head office building and will assign the bond as security for the loan. The loan will bear interest at 10.59% and will be repayable on December 31, 1997.

(d) In addition to the future site cleanup and restoration costs which have been accrued (see Notes 13 and 16), costs will be incurred in the future for plant sites when they are sold or no longer used. The associated liability cannot currently be determined.

(e) Various lawsuits and claims are pending by and against NOVA. In management's opinion the final determination of these claims will not materially affect the financial position or operating results of NOVA.

(f) On July 28, 1995, the Alberta Energy and Utilities Board (EUB) issued a decision reducing a portion of the transportation tolls included in NOVA Gas Transmission's cost-of-service on the western leg of the mainline system and directed NOVA Gas Transmission to refund to its customers $9 million relating to the period November 1, 1993 to December 31, 1994. At NOVA's request, the EUB has agreed to review its decision and suspend the refund requirement until it issues a final decision. NOVA has also applied to the courts to appeal the decision. No adjustment will be made to net income (approximately $5 million after-tax) until the EUB issues a final decision.

(g) NOVA and its partners have signed a completion guarantee on the construction of the GasAndes pipeline. If the pipeline is not completed within nine months of the agreed upon completion date (July 31, 1997) customers contracting for service from the pipeline will have the option to purchase the pipeline. Following such a purchase, NOVA and its partners will be obligated to pay the customers any difference between the agreed upon construction cost (U.S. $370 million) and the amount actually spent towards the completion as well as reimburse customers for actual losses incurred because of the late completion (up to U.S. $20 million). Each of the project's partners is severally liable for its proportionate share of the total exposure. As at December 31, 1995, NOVA's proportionate share was 56.5%.

22. Financial Instruments

FINANCIAL INSTRUMENT FAIR VALUES

Financial instrument fair values represent a reasonable approximation of amounts NOVA would have received or paid to counterparties on December 31 to unwind the positions prior to maturity. At December 31, 1995, NOVA had no plans to unwind these positions prior to maturity. Carrying amounts represent the receivable or payable recorded in the Consolidated Balance Sheet. The carrying amounts reported in the balance sheet for cash, accounts receivable and payable, and current bank loans approximate their fair value. NOVA does not have a significant exposure to any individual customer or counterparty. Fair values and carrying amounts for derivative instruments are disclosed below in their respective sections.

	Carrying Amount			Estimated Fair Value[1]		
December 31 (millions of dollars)	**1995**	1994	1993	**1995**	1994	1993
Long-term debt[2]						
Regulated businesses	**$ 3,722**	$ 3,412	$ 3,017	**$ 4,140**	$ 3,499	$ 3,286
Non-regulated businesses	**$ 654**	$ 494	$ 560	**$ 666**	$ 494	$ 588

(1) The fair value of long-term debt is based on quoted market prices, where available. If market prices are not available, fair values are estimated using discounted cash flow analyses, based on NOVA's current incremental borrowing rates for similar borrowing arrangements.

(2) Includes debt instalments due within one year.

DERIVATIVES AND OTHER HEDGING INSTRUMENTS

NOVA sells petrochemical products at prices based on U.S. dollars, purchases energy commodities, invests in foreign operations and issues short- and long-term debt, including amounts in foreign currencies. These activities result in exposures to fluctuations in foreign currency exchange rates, energy prices and interest rates.

NOVA manages its exposures by entering into contractual arrangements (derivatives) which reduce (hedge) the exposure by creating an offsetting position. The estimated fair values only represent the value of the hedge component of these transactions and do not consider the value of the contracted and anticipated transactions that are being hedged. NOVA does not provide or require security on its derivative positions. NOVA also has a joint venture interest in a natural gas marketing company, Novagas Clearinghouse Limited Partnership (NCL), which enters into fixed-price forward contracts in connection with its natural gas activities (see Note 22(e)).

<u>(a) Foreign exchange risk management</u>

NOVA has U.S. and Canadian petrochemical operations. The selling price for products sold by these operations is established in terms of the U.S. dollar. NOVA reduces its exposure to fluctuations in the U.S. dollar by using forward exchange contracts and options to hedge its anticipated net exposure on U.S. cash flows. The forwards and options outstanding at December 31, 1995, mature throughout 1996 and 1997.

December 31

(millions of dollars, except for rates)	**1995**	1994	1993
Foreign exchange forwards			
Notional amount	**U.S.$ 501**	$ 450	$ 270
Average exchange rate per U.S. dollar	**Cdn.$ 1.39**	$1.37	$1.32
Estimated fair value[1]	**Cdn.$ 9**	$ (21)	$ –
Carrying value	**Cdn.$ –**	$ –	$ –
Foreign exchange options			
Notional amount	**U.S.$ 260**	$ –	$ –
Average exchange rate per U.S. dollar	**Cdn.$ 1.40**	$ –	$ –
Estimated fair value[1]	**Cdn.$ 10**	$ –	$ –
Carrying value	**Cdn.$ –**	$ –	$ –

(1) Asset (liability). The fair values of these instruments are estimated based on quoted market prices of comparable contracts, adjusted for maturity differences.

(b) Interest rate risk management

NOVA uses interest rate swaps to manage the fixed and floating interest rate mix of the total debt portfolio. By entering into interest rate swap agreements, NOVA agrees to exchange with counterparties the difference between fixed rate and floating rate interest amounts calculated by reference to banker's acceptance rates and London Inter Bank Offered Rates and to an agreed notional amount. The notional amounts do not represent the amount exchanged by the counterparties, and therefore are not a measure of market or credit exposure.

December 31 (millions of dollars, except for rates)	1995	1994	1993
Floating to fixed rate swaps			
Notional amount	$ 205	$ 316	$ 298
Average receive rate	6.28%	5.89%	4.02%
Average pay rate	8.95%	9.12%	9.45%
Weighted average years to maturity	4.9	3.9	4.9
Fixed to floating rate swaps			
Notional amount	$ 131	$ 131	$ –
Average receive rate	9.02%	9.02%	–%
Average pay rate	6.16%	6.20%	–%
Weighted average years to maturity	4.3	5.3	-
Estimated fair value of all swaps(1)	$ (10)	$ (5)	$ (30)
Carrying value of all swaps	$ –	$ –	$ –

(1) Asset (liability). The fair values of these instruments are estimated based on quoted market prices of comparable contracts, adjusted for maturity differences.

(c) Commodity price risk management

NOVA uses commodity futures contracts to hedge a portion of its exposure to price fluctuations on anticipated crude oil, refined products and natural gas transactions. The instruments are used to moderate the risk of fluctuations in feedstock prices by protecting against adverse short-term price movements, while limiting, somewhat, the benefits of favorable short-term price movements. They are not used for speculative purposes. Typically, trading is conducted to manage price risk around near-term (30-60 days) supply requirements. Occasionally, longer-term positions will be taken to manage price risk for anticipated supply requirements. At December 31, 1995, 1994 and 1993 the fair value of the outstanding contracts was less than $1 million.

(d) Credit risk management

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which NOVA has an unrealized gain fails to perform. NOVA only transacts with counterparties having a minimum credit rating of A+ for its foreign exchange and interest rate related instruments. Credit exposure on commodity price risk instruments are managed through credit approval and monitoring procedures. NOVA does not anticipate any counterparties will fail to meet their obligations. At December 31, 1995, NOVA's credit exposure was $34 million for foreign currency and interest rate management instruments and was less than $1 million for commodity-based instruments.

(e) Price risk management activities of NCL

NCL uses certain types of fixed-price contracts in connection with its natural gas and marketing business lines. These contracts include fixed-price contracts which commit it to purchase or sell natural gas at fixed prices in the future, swaps and other types of financial instruments traded in the over-the-counter financial market, and futures and option contracts traded on the New York Mercantile Exchange through NCL's affiliate, NGC Corporation. NCL uses these contracts to hedge its fixed-price purchase and sales commitments, to provide fixed-price commitments as a service to its customers and suppliers, to reduce its exposure to the volatility of cash market prices and to take advantage of opportunities to profit through open positions.

NCL is subject to market risk on its open positions to the extent that there are changes in the market price of natural gas. NCL has counterparty credit policies which include a thorough review of the potential counterparty's financial condition, collateral requirements under certain circumstances, monitoring of net exposure to each counterparty and using standardized master agreements which allow for netting of positive and negative exposures associated with each counterparty. The net positions of NCL's contracts at December 31, 1995 and 1994 were not material.

23. United States Accounting Principles

(a) RECONCILIATION TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

(millions of dollars, except for share data)	1995	1994	1993
Year ended December 31			
Net income using Canadian basis	$ 702	$ 575	$ 191
Add (deduct) adjustments for:			
Equity in earnings of affiliates(1)	21	(27)	–
Income taxes(2)	(4)	3	10
Foreign exchange gains(3)	(30)	–	–
Development costs(4)	(13)	–	–
Inventory valuation adjustment(5)	1	(5)	1
Other	3	2	1
Net income using U.S. basis	$ 680	$ 548	$ 203
Net income per share using U.S. basis			
Primary and fully diluted	$ 1.41	$ 1.16	$ 0.49
December 31			
Balance sheet items using U.S. basis(6)			
Current assets	$ 1,086	$ 941	$ 1,022
Investments and other assets(2)	1,896	1,611	848
Plant, property and equipment	6,347	6,121	5,481
Current liabilities	(756)	(1,103)	(1,151)
Long-term debt	(3,985)	(3,449)	(3,131)
Deferred credits(2)	(757)	(690)	(599)
Minority interest	–	(100)	(176)
Shareholders' equity	$ 3,831	$ 3,331	$ 2,294

(1) NOVA's share of adjustments made to Methanex Corporation's and NGC Corporation's financial information to comply with U.S. accounting principles.

(2) U.S. accounting principles require companies to recognize deferred income taxes based on the liability method whereas Canadian accounting principles require that the deferral method be used. Under the U.S. basis companies are also required to record deferred income tax liabilities and long-term receivables for deferred income taxes to be collected from regulated customers in future years. These amounts are not recorded under the Canadian basis. For U.S. basis accounting purposes this accounting treatment was adopted on a prospective basis effective January 1, 1993. The impact on net income for 1993 was the result of the cumulative effect to December 31, 1993.

(3) U.S. accounting principles only allow deferral of gains or losses on forward exchange contracts if the contracts hedge firm foreign currency commitments. Gains or losses on forward exchange contracts that hedge anticipated future transactions must be realized in income. Canadian principles allow deferral of gains and losses on hedges of anticipated transactions.

U.S. accounting principles only allow CTA realization when there is a partial or complete sale or liquidation of an investment in a foreign affiliate. Canadian principles allow CTA realization when there has been a reduction in the net foreign investment as a result of a dividend distribution.

(4) U.S. accounting principles require that all research and development costs be expensed as incurred. Canadian principles allow capitalization of development costs if certain criteria are satisfied.

(5) U.S. accounting principles require an allocation of fixed production overhead to inventory. Canadian accounting principles allow these costs to be expensed during the period.

(6) U.S. accounting principles require joint ventures to be accounted for using the equity method whereas Canadian principles require proportionate consolidation of the joint ventures. The equity method does not result in any change to NOVA's net income or shareholders' equity, however all assets, liabilities, revenues, expenses and most cash flow items are decreased when compared to the amounts that are presented using proportionate consolidation (see Note 5).

(b) PROJECTED PENSION BENEFIT OBLIGATIONS (PPBOS)

United States accounting principles require the discount rate assumption for the valuation of PPBOs to be calculated based on the year-end rate for high-quality Canadian fixed income investments. This compares with the Canadian basis of accounting which uses management's best estimate of the long-term fixed income investment rate. For 1995, the discount rates are the same under both bases. In 1994, the U.S. basis discount rate was 10% compared with 8% using the Canadian basis. Using a 10% discount rate would have resulted in a $100 million excess of pension assets over PPBOs on an accounting basis as at December 31, 1994. Using an 8% discount rate resulted in a $56 million deficiency on an accounting basis as at December 31, 1994.

(c) STATEMENT OF CASH FLOWS PRESENTATION

Under U.S. reporting rules, the 1994 exchange of NOVA's methanol assets ($104 million) for Methanex common shares and the conversion of convertible debentures ($150 million) would not be included in the statement of cash flows.

Management's Report

TO THE SHAREHOLDERS OF NOVA CORPORATION

The consolidated financial statements and other financial information included in this annual report have been prepared by management. It is management's responsibility to ensure that sound judgment, appropriate accounting principles and methods and reasonable estimates have been used in the preparation of this information. They also ensure that all information presented is consistent.

Management is also responsible for developing internal controls over the financial reporting process. The internal control system includes an internal audit function and an established business conduct policy. Management believes the system of internal controls, review procedures and established policies provide reasonable assurance as to the reliability and relevance of financial reports. Management also believes that NOVA's operations are conducted in conformity with the law and with a high standard of business conduct.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit and Finance Committee. The Committee, which consists solely of non-management directors, reviews the financial statements and annual report and recommends them to the Board for approval. The Committee meets with management, internal auditors and external auditors to discuss internal controls, auditing matters and financial reporting issues. Internal and external auditors have full and unrestricted access to the Audit and Finance Committee. The Committee also recommends a firm of external auditors to be appointed by the shareholders.

J.E. Newall

J.E. Newall, O.C.
Chief Executive Officer

A.T. Poole,
Chief Financial Officer

February 9, 1996
Calgary, Canada

Auditors' Report

TO THE SHAREHOLDERS OF NOVA CORPORATION

We have audited the consolidated balance sheet of NOVA Corporation as at December 31, 1995, 1994 and 1993 and the consolidated statements of income and reinvested earnings and cash flows for each of the years in the three year period ended December 31, 1995. These financial statements are the responsibility of NOVA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of NOVA Corporation as at December 31, 1995, 1994 and 1993 and the results of its operations and the changes in its financial position for each of the years in the three year period ended December 31, 1995 in accordance with accounting principles generally accepted in Canada.

Ernst & Young

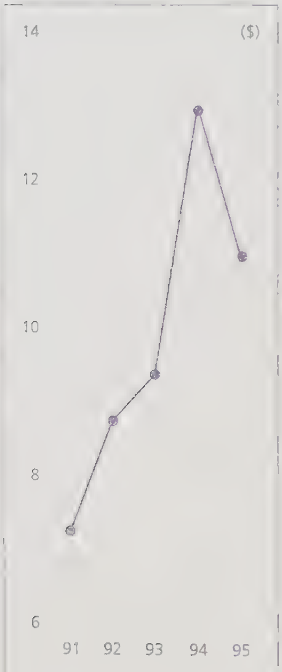
Chartered Accountants

February 9, 1996
Calgary, Canada

Summarized Quarterly Financial Information (Unaudited)

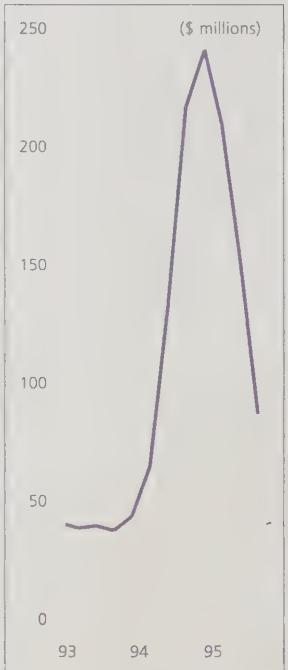
Three months ended (millions of dollars, except for share data)		March 31 1995	March 31 1994	June 30 1995	June 30 1994	September 30 1995	September 30 1994	December 31 1995	December 31 1994
Revenue	$	**1,177**	831	**1,194**	869	**1,048**	1,079	**1,063**	1,194
Operating income	$	**362**	133	**384**	155	**291**	201	**175**	277
Net income	$	**247**	166	**211**	67	**155**	134	**89**	208
Average number of shares outstanding (millions)		**478**	444	**479**	463	**479**	472	**480**	478
Data per share									
Net income (fully diluted)	$	**0.51**	0.36	**0.43**	0.13	**0.31**	0.28	**0.19**	0.43
Market price									
Toronto Stock Exchange									
High	$	**13-3/4**	10-7/8	**12-3/4**	12	**12-3/8**	15	**11-1/2**	14-7/8
Low	$	**10-5/8**	9-1/8	**10-7/8**	9-1/2	**10-3/8**	10-1/2	**9-1/2**	12
New York Stock Exchange									
High ($ U.S.)	$	**9-5/8**	7-7/8	**9-1/4**	8-3/4	**9**	11-1/4	**8-1/2**	11
Low ($ U.S.)	$	**7-5/8**	6-3/4	**8**	6-7/8	**7-5/8**	7-5/8	**7**	8-3/4
Dividends paid	$	**0.06**	0.06	**0.08**	0.06	**0.08**	0.06	**0.08**	0.06

NOVA closing share price TSE[1]



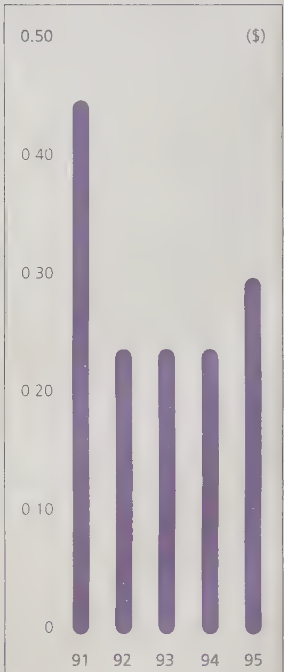
(1) Toronto Stock Exchange

net income per quarter[1]



(1) Excludes 1993 gain on sale of Grove and 1994 gain on sale of Novalta

dividends paid per share



NOVA will increase the quarterly dividend to 9 cents from 8 cents beginning with the May 15, 1996 payment

SHARE REGISTRATION

As one of the most actively traded stocks on the Toronto Stock Exchange, NOVA's common shares are very liquid. NOVA's shares are listed on the Toronto, Montreal, Alberta and New York stock exchanges under the trading symbol NVA. On December 31, 1995, approximately 480 million shares were outstanding and there were some 33,000 registered shareholders.

NOVA shares are transferable at the Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal and Halifax offices of The R-M Trust Company, and at the office of Chemical Mellon Shareholder Services, L.L.C., New York, N.Y.

DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN

NOVA offers a dividend reinvestment and share purchase plan to shareholders in Canada and the United States. This plan provides a convenient means to reinvest dividends in additional NOVA shares. For further information on the pian, contact NOVA's transfer agent:

The R-M Trust Company
600 The Dome Tower, 333 Seventh Avenue S.W.
Calgary, Alberta T2P 2Z1 (403) 232-2400

NON-RESIDENT INVESTORS

Dividends paid to non-resident shareholders are subject to Canadian withholding tax, generally at the rate of 15% for the United States and other countries where Canadian tax treaties apply, and 25% for non-treaty countries. Certain exemptions or refunds may be available to residents of the United States. Consult your tax advisor.

INTERNET

Recent NOVA news releases are accessible via NOVA's Home Page on the Internet. To access this information, our home page may be found at www.NOVA.ca. Send questions or comments to NOVA's e-mail address: investor.relations@pipe.nova.ca.

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Post Office Box 2535
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Calgary, Alberta, Canada
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SHAREHOLDER INQUIRIES,
call toll-free
1-800-661-8686

SCHEDULED DIVIDEND PAYMENT DATES:
February 15
May 15
August 15
November 15, 1996

SCHEDULED FINANCIAL REPORTING DATES:
April 17, July 30,
October 29, 1996;
January 28, 1997

1995 TRADING VOLUMES:
TSE: 238,972,880
NYSE: 21,827,800

NOVA® is a registered trademark of NOVA Brands Ltd., authorized use/utilisation autorisée.

SCLAIR® is a registered trademark of Novacor Chemicals Ltd. in Canada and of Novacor Chemicals (International) S.A. elsewhere; authorized use/utilisation autorisée.

SCLAIRTECH™ is a trademark of Novacor Chemicals.

Responsible Care® is a certification mark of the CCPA in Canada and the CMA in the United States.

The governance of the Corporation is the responsibility of NOVA's Board of Directors and is delivered through four committees of the Board and NOVA's Corporate Strategy and Policy Committee, comprising senior management.

Since 1991, NOVA has had in place a broad-reaching plan for governance. With the company's increasing national and international development, the directors and management have responded to the need to establish forward-looking governance policies and to constantly evaluate and modify them to ensure their effectiveness.

In 1994, the Toronto Stock Exchange (TSE) Committee on Corporate Governance published guidelines to help corporations assess their governance systems and accountability to shareholders. NOVA's governance procedures are in alignment with 13 of the 14 guidelines.

The single exception relates to the guideline that there be clearly stated mandates for the Board and the Chief Executive Officer. While NOVA's CEO has a specific mandate, this is not the case for NOVA's Board of Directors. NOVA's full Board has plenary power, without a specific mandate. Any responsibility which is not delegated to NOVA's senior management or a committee of the Board remains with the full Board. NOVA believes this is an appropriate arrangement, given the respective responsibilities of the Board committees and senior management.

In all other respects, NOVA's governance practices are in material alignment with the TSE guidelines and those of the Montreal Exchange which substantially parallel those of the TSE. For a complete review of NOVA's alignment with the guidelines, see Schedule A of NOVA's March 7, 1996, Management Information Circular.

THE CORPORATE STRATEGY AND POLICY COMMITTEE (CS&PC)

The CS&PC advises the CEO on the short- and long-term direction of NOVA. The CS&PC's mandate includes developing corporate strategy, reviewing and approving business plans and monitoring NOVA's business environment.

MEMBERS OF THE CS&PC

J.E. (Ted) Newall, O.C., 60
Vice Chairman and
Chief Executive Officer,
NOVA Corporation

Jeffrey M. Lipton, 53
President, NOVA Corporation

Dan W. Boivin, 52
Senior Vice President, NOVA Corporation and President and Chief Operating Officer, Novacor Chemicals Ltd.

C. Kent Jespersen, 50
Senior Vice President, NOVA Corporation and President, NOVA Gas International Ltd.

Jack S. Mustoe, 48
Senior Vice President, General Counsel and Corporate Environmental Officer
NOVA Corporation

Sheila H. O'Brien, 48
Senior Vice President, Human Resources, NOVA Corporation

A. Terry Poole, 53
Senior Vice President and Chief Financial Officer,
NOVA Corporation

Bruce W. Simpson, 51
Senior Vice President, NOVA Corporation and President and Chief Operating Officer, NOVA Gas Transmission Ltd.

COMMITTEES OF THE BOARD

The committees of NOVA's Board of Directors, their mandates and membership are outlined below.

AUDIT & FINANCE

This committee monitors most aspects of NOVA's financial activities including reviews of most finance-related public documents. Composed of Mrs. Rennie and Messrs. Coleman, Healy, Hotchkiss (chair), MacLeod and Milavsky.

CORPORATE GOVERNANCE

This committee recommends nominees for election and appointment to the Board. It is also responsible for ensuring the effectiveness of the Board and relations with NOVA's management. Composed of Ms. Wexler, Sir Graham Day and Messrs. Haskayne (chair), Hotchkiss and Ritchie.

PUBLIC POLICY, RISK & ENVIRONMENT

This committee is responsible for overseeing NOVA's health and safety, environment, risk management, corporate contributions and public policy matters. Composed of Mrs. Rennie, Ms. Wexler and Messrs. Boer, Coleman, Healy, Kissick, MacLeod, Milavsky (chair), Pappas and Pierce.

HUMAN RESOURCES COMMITTEE

This committee reviews recommendations for senior executive appointments and the terms of their employment. It is also responsible for the administration of NOVA's savings, profit-sharing and pension plans. Composed of Messrs. Haskayne (chair), Kissick, Ritchie, Boer, Pappas and Sir Graham Day.

DR. F. PETER BOER,
55, a director since 1991, has held several senior positions in chemical research and business management. He is president and chief executive officer of Tiger Scientific Inc., a firm specializing in science and technology consulting and investments. Dr. Boer serves on several governmental and university advisory bodies, and resides near Palm Beach County, Florida.

RONALD B. COLEMAN,
63, a director since 1987, is president of R.B. Coleman Consulting Co. Ltd., and president and a director of Dominion Equity Resource Fund Inc. Mr. Coleman serves on the boards of several Canadian companies, including The Maritime Life Assurance Company. He resides in Calgary.

SIR J. GRAHAM DAY,
62, a director since 1990, resides in Hantsport, Nova Scotia. He is chancellor of Dalhousie University, chairman of the board of Crombie Insurance Company (U.K.) Ltd. and serves on the boards of several companies, including Extendicare Inc. and the Bank of Nova Scotia.

RICHARD F. HASKAYNE, F.C.A.,
61, a director since 1991 and appointed non-executive chairman of the board in 1992, serves on the boards of several Canadian companies, including the Canadian Imperial Bank of Commerce and MacMillan Bloedel Limited. Mr. Haskayne resides in Calgary.

J. JOSEPH HEALY,
66, a director since 1977, is an independent businessman involved in real estate development and sales. Mr. Healy resides in Edmonton. He was president of Healy Motors Ltd. until 1996, and serves on the boards of Burnside Holdings Ltd. and Degman Holdings.

HARLEY N. HOTCHKISS,
68, a director since 1979, resides in Calgary and is an investor in oil and gas, real estate, agriculture and professional sports. He serves on the boards of several Canadian organizations, and is chairman of the National Hockey League Board of Governors.

J.M. (JACK) MACLEOD,
64, a director since 1993, retired as president and chief executive officer of Shell Canada Limited in 1993. He resides in Calgary and is a director of several Canadian companies and organizations, including Trimac Ltd. and The Van Horne Institute.

HAROLD P. MILAVSKY, F.C.A.,
64, a director since 1988, resides in Calgary and is chairman of Quantico Capital Corp. Mr. Milavsky serves on the boards of several Canadian companies, including Amoco Canada Petroleum Company Ltd. and Telus Corporation.

J.E. (TED) NEWALL, O.C.,
60, joined NOVA in 1991 and is vice chairman and chief executive officer of NOVA Corporation. He retired from DuPont Canada Inc. as chairman and chief executive officer in 1991. Mr. Newall also serves on the boards of several Canadian companies and certain subsidiaries and affiliates of NOVA and was recently nominated chairman of the Board of Governors for the University of Calgary. Mr. Newall resides in Calgary.

DR. NICHOLAS PAPPAS,
65, has been a director since 1992 and resides in Centerville, Delaware. He is president and chief operating officer of Rollins Environmental Services Inc., a company involved in hazardous waste treatment and management, and has held several executive positions in E.I. du Pont de Nemours & Co.

ROBERT L. PIERCE, Q.C.,
66, has been a director since 1977. He retired as a senior vice president of NOVA Corporation in 1994 but continues as chairman and chief executive officer of Foothills Pipe Lines Ltd. and vice chairman of NOVA Gas International Ltd. He also serves on the boards of several Canadian companies and certain NOVA subsidiaries and affiliates.

JANICE G. RENNIE, C.A.,
38, has been a director since 1991 and resides in Edmonton, where she is a business consultant and advisor. She serves on the boards of the Edmonton Power Authority and Weldwood of Canada Ltd., and is a member of the Audit Committee of the Province of Alberta.

CEDRIC E. RITCHIE, O.C. ,
68, a director since 1992, resides in Don Mills, Ontario. In January 1993, he retired as chief executive officer of the Bank of Nova Scotia, but continued as chairman until 1995. Mr. Ritchie also serves on the boards of several Canadian and international organizations.

ANNE WEXLER,
65, a director since 1994, is chairman and chief executive officer of The Wexler Group, Washington, D.C., consultants specializing in government relations and public affairs. She also serves on several boards. Ms. Wexler, who resides in Washington, D.C., served as senior advisor on the Clinton-Gore Transition Team and was assistant to President Carter for public liaison.

IN MEMORIAM
Hon. John B. Aird, C.C., served on the Board from 1988 to 1995. He died in May 1995. We would like to recognize Mr. Aird for his valuable contributions and years of service to NOVA.

THANK YOU
W. Norman Kissick intends to resign from the Board, effective at the Annual Meeting. Mr. Kissick, a Board member since 1992, has provided valuable business advice and service to NOVA during his tenure. We thank him for his contribution to NOVA.

NOVA CORPORATION is committed to strong corporate citizenship. To achieve this we must balance the interests of our four key constituents: NOVA's customers, employees, communities and society and shareholders.

customers

Each of NOVA's businesses has set a clear objective to reach for the highest level of customer satisfaction. We are striving to consistently exceed our customers' expectations and to be the low-cost provider of every product and service we offer. Our businesses have made excellent progress in this area, and each has set objectives for further gains in 1996 and 1997.

For the last two years, every operating unit in NOVA has undergone a comprehensive review of business processes. Our objective was to simplify our business processes and substantially improve the way we serve our customers by reducing costs and making our products and services more accessible, reliable and flexible.

NOVA's operated petrochemicals business and Methanex have received excellent response to their customer service initiatives. Independent customer surveys and citations from customers themselves confirm this progress.

NGTL's satisfaction ratings from its third annual customer survey showed strong progress for the third consecutive year. Approval ratings were up on 16 of the 19 measures identified by customers.

employees

Like most leading companies, NOVA recognizes that creating teams of highly motivated employees is the most important requirement for delivering outstanding results for our customers and shareholders. In the last 18 months, the re-engineering of our business processes had the potential to seriously damage employee morale and commitment. As a result of re-engineering, more than 25% of our employees have experienced substantial changes in their assignments. Close to one-third of NOVA's employees took on new assignments, while an additional 700 opted to leave the company. Most of our large scale re-engineering work is now behind us.

To help our people cope with this period of enormous change, senior management worked to keep employees fully informed of all re-engineering developments. In addition, teams of employees worked to create our unique Employee Transition and Continuity Program (ET&C). The program helps our employees make decisions about their future, whether inside or outside NOVA.

Although we can't claim total success with ET&C, many former employees report significant benefits from the program. Some participants have launched new businesses, while others have returned to school to advance their education. This program and our open communication around re-engineering are focused on sustaining employee morale and commitment.

NOVA continues to make employee training and development a high priority. The objective is to build the skills and environment that enable our employees to reach their full potential. In our last employee survey, NOVA's employees noted that training was beginning to deliver results.

For the second consecutive year, NOVA's record earnings in 1995 resulted in employee profit-sharing with a maximum pay out of 6% of base pay.

communities and society

Our host communities and society at large grant NOVA a great deal of freedom in managing its business activities without excessive intervention. NOVA and its employees continue to work hard to sustain this level of trust.

Of critical concern is our performance in the areas of safety, health and the environment. NOVA helped create the Responsible Care® program of the Canadian chemical industry. It is an effective and rigorous voluntary code

NOVA spearheaded fundraising efforts for major capital improvements at Calgary's YWCA. Part of the developments will allow young mothers to participate in job retraining while their children are cared for, close by, in a safe and stimulating environment.

of conduct for the chemical industry which has now been adopted worldwide. To further advance our performance, we engaged in a number of initiatives during 1995. We established a Safety, Health, Environment and Risk (SHER) Council to provide company-wide leadership and guidance for NOVA's SHER actions; we improved our safety management process; and we strengthened our comprehensive internal audit process.

▶ Job creation is a major component of NOVA's contribution to society. While our employee numbers will be down in 1995 and 1996, our future growth will reverse this direction. In addition, our capital expenditure program of almost $800 million provides many economic benefits, including employment, in the communities where we operate.

▶ NOVA also pays substantial taxes to all levels of government. In 1995, total cash taxes paid exceeded $203 million. This will rise significantly in 1996 to approximately $412 million, mainly due to our higher earnings in 1995.

▶ Our employees are active volunteers in our communities and NOVA supports and encourages them in their dedication. Part of our support is through our donations program. NOVA contributes an average of 1% of pre-tax earnings to charities and community groups and as a result, we qualify for recognition as a member of the "Imagine" group of Canadian companies.

shareholders

▶ NOVA's objective to deliver well above average growth throughout the business cycle translates into positive returns to shareholders. Given the cyclical nature of our business, year to year results fluctuate. However, viewed over the course of an entire cycle, our performance is compelling.

▶ Year-end market capitalization was $5.2 billion compared with $2.4 billion four years ago. Total return to shareholders over that four-year period was 66% based on NOVA's share performance on the Toronto Stock Exchange. In the last three years, net earnings totalled $1.4 billion, compared with $718 million during the previous cyclical high from 1987 to 1989.

▶ To help ensure alignment with shareholder interests, NOVA's senior officers are required to hold a meaningful investment in NOVA's common equity. In addition, more than 70% of NOVA's employees own shares in the company. At this year's annual and special meeting, shareholders will be asked to approve a proposal to pay the directors' retainer fees in common shares. This will lead to a steady increase in share ownership and follows the practice of the Chief Executive Officer.

A Caring Company
IMAGINE

NOVA

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801 Seventh Avenue S.W.
Post Office Box 2535
Postal Station M
Calgary, Alberta, Canada
T2P 2N6

petrochemicals business
+
gas transportation
+
gas services
=
NOVA

a growing, integrated operating company

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